

NO.95(1990)
MAY 16, 1990

George Cross

Reliable R.

CHENI GOLD MINES INC. (CZG-Y,T,M)

BUDGET FOR 1990 SET AT \$7,050,000 MADE UP OF:

- \$5,300,000 TO READY CLIFF CREEK ZONE FOR MINING
- \$500,000 DRILLING TO ADD 1,000,000 TONS TO CLIFF ZONE
- \$500,000 TO TEST DUKE ZONE AND OTHER MINE TARGETS
- \$750,000 FOR NEW ACQUISITIONS AND OUTSIDE EXPLORATION

Cheni Gold Mines holds 100% interest in 156 units covering 15 sq. miles on the Toodoqqone River plateau, with the main portal and gold recovery plant at between 4,500 feet and 5,800 feet elevation, about 175 miles north of Smithers, 600 miles north of Vancouver, B.C.

The mine is accessible from June to December by 380 km of summer road, northwest from MacKenzie, a 10 hour drive. The Strudee River airstrip is 32 road km south from the mine. The 550 tons per day capacity plant started commercial production March 1,1989, just 22 months from the start of road construction in May 1987. The property, plant and equipment is shown on the balance sheet at a cost of \$63,609,000.

Cheni Gold shares recently traded in the \$3.50 to \$4.50 range, after reporting a profit of \$4,002,000 or 36¢/share on 11,060,000 shares issued at Dec.31,1989. These profits were from ten months production by a crew of 145 persons, processing 154,960 tons grading 0.32 oz.gold/t, 7.24 oz.silver per ton. The costs per ounce were \$204 U.S. Gold recovery was 93.4% and silver 78.5%.

Cheni S.A. of Paris, France owns 6,800,000 shares or 61.5% of those issued and has loaned the company \$5,325,000 to complete construction and for working capital. Cheni S.A. is 70% owned by Coframines SA, a Government of France agency and 30% by Kuwait Foreign Trading and Contracting Investment Company.

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In the three months ended March 31, 1990, Cheni net earnings were \$1,200,000 or 11¢ per share. The profits were realized from 49,000 tons grading 0.29 oz. gold/t, 6.76 oz. silver/t. The cost per oz. of gold were \$200 U.S. for the quarter. The costs per ton milled was \$80 Canadian. Recovery in the four months ended April 30, 1990, was 93.3% of the gold and 76.7% of the silver. The head grade of the ore mined to date has been 0.29 to 0.33 oz. per ton, about 20% higher than forecast from the drilling and underground bulk sampling. The 1989 ore production had a head grade 33% higher than mine average. The 1990 and 1991 production from the AGB zone is forecast at 20% above reserve grade.

All of the ore milled to date has been from the AGB zone which had reserves at Dec. 31, 1989, of 423,700 tons with an estimated grade of 0.252 oz. gold/t and is expected to provide an average of 0.29 oz. gold/t on mining over the next 12 to 16 months. Gold and silver recoveries in the first four months of 1990 are slightly higher than in 1989. Currently there are 87,000 tons of ore broken in the stopes. The mining methods used are: shrinkage stopes, sub-level mining and blast hole stoping. Mining will be completed from the AGB zone in June 1991. Then the Cliff Creek zone with reserves of 1,300,000 tons grading 0.17 to 0.183 oz. gold plus 6 to 7 oz. silver per ton will start feeding the mill.

Cheni Gold expects to produce 55,000 oz. gold, plus 1,200,000 ounces of silver in 1990. At March 31, 1990, Cheni had outstanding sales contracts requiring delivery of 13,300 oz. gold and 165,000 oz. silver in 1990 at average prices of \$409 U.S. gold per ounce and \$5.71 U.S. silver respectively. (CONTINUED ON PAGE TWO)

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CONTINUED FROM PAGE ONE - The Lawyer gold mine of Cheni was built in a remote part of B.C. at the end of 106 km of mine road which was constructed by the company with some Provincial government financial assistance at a cost of \$7,200,000. Other than the loan from Cheni SA, the company is debt free and has some \$4,000,000 in uncommitted working captial. The cash flow for 1990 is forecast at \$10,000,000 of which \$5,300,000 has been budgetted for the development for mining of the Cliff Creek Zone located two km west of the AGB zone. The decline to open the Cliff Creek zone has been driven, by May 10,1990, some 650 meters of the 750 meters needed to enter the zone. The decline will open the ore zone by May 30,1990. The Cliff Creek zone has drill probable and possible reserves of 1,300,000 tons grading 0.17 to 0.183 oz. gold plus 6 to 7 oz. silver per ton, indicating a minimum additional six year mine life. There are indications that the 25% upgrading experienced during mining of the AGB zone will be repeated in the Cliff Creek zone.

The mine has been under exploration and development for nine years since Cheni acquired an option to buy the property from Kennecott Copper in July 1979. Kennecott Copper had discovered the gold mineralization during a regional exploration program in 1968. Between optioning the property and the May 1987 production decision, Cheni completed 22,965 feet of trenching, 73,160 feet of diamond drilling and 4,961 feet of underground exploration. A further 25,000 feet of diamond drilling was completed in 1987, mostly in the Cliff Creek zone.

The annual meeting May 4, 1990, was told the search has been underway for persons to replace Dr.Paul Girard, P.Eng., former president and Peter Tegart, former vice-president explorations, who guided the property through the acquisition, exploration, construction and early production phases. The appointments are expected to be made in the near future.

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The meeting was also told that the payment of dividends is likely some years in the future, despite the current profits, since the directors' mandate is to build a North American gold mining company with annual production in excess of 100,000 ounces, plus other metals. The possible acquisition of a Nevada potential open pit heap leach property is under examination and consideration. The objectives are directed toward, but are not restricted to, precious metals. A number of possible acquisitions or joint ventures are at various stages of examination and negotiation. One of the objectives of the directors for 1990 is to develop a program to better inform the investment industry of Cheni's activities, profits and long term production potential. This is in an effort to achieve an increased share trading volume and a higher price/earnings ratio.

During a recent mine tour, Vernon E. Smith, P.Eng., mine operations manager and Peter Tegart, vice president exploration, pointed out the Cliff Creek zone has been established by trenching, prospecting, geophysical and geochemical surveys and drilling to be three parallel and en echelon zones (parallel, but offset) over a length in excess of one mile. The bulk of the 1,300,000 tons grading 0.17 oz. gold per ton in this zone are within the northern 1,000 feet of the zone and the potential for additional reserves to the south and to depth are considered very good. The 25,000 feet of drilling planned for the Cliff Creek zone in 1990, has the potential of adding 1,000,000 tons or some five further years to the mine life. Similarly, the Duke Ridge zone with reserves of 75,000 tons grading 0.213 oz. gold per ton has at least one parallel zone and considerable untested strike length. In addition, there are several other substantially untested zones on the property. A \$1,000,000 exploration budget has been established for 1990. About \$500,000 of which is to be

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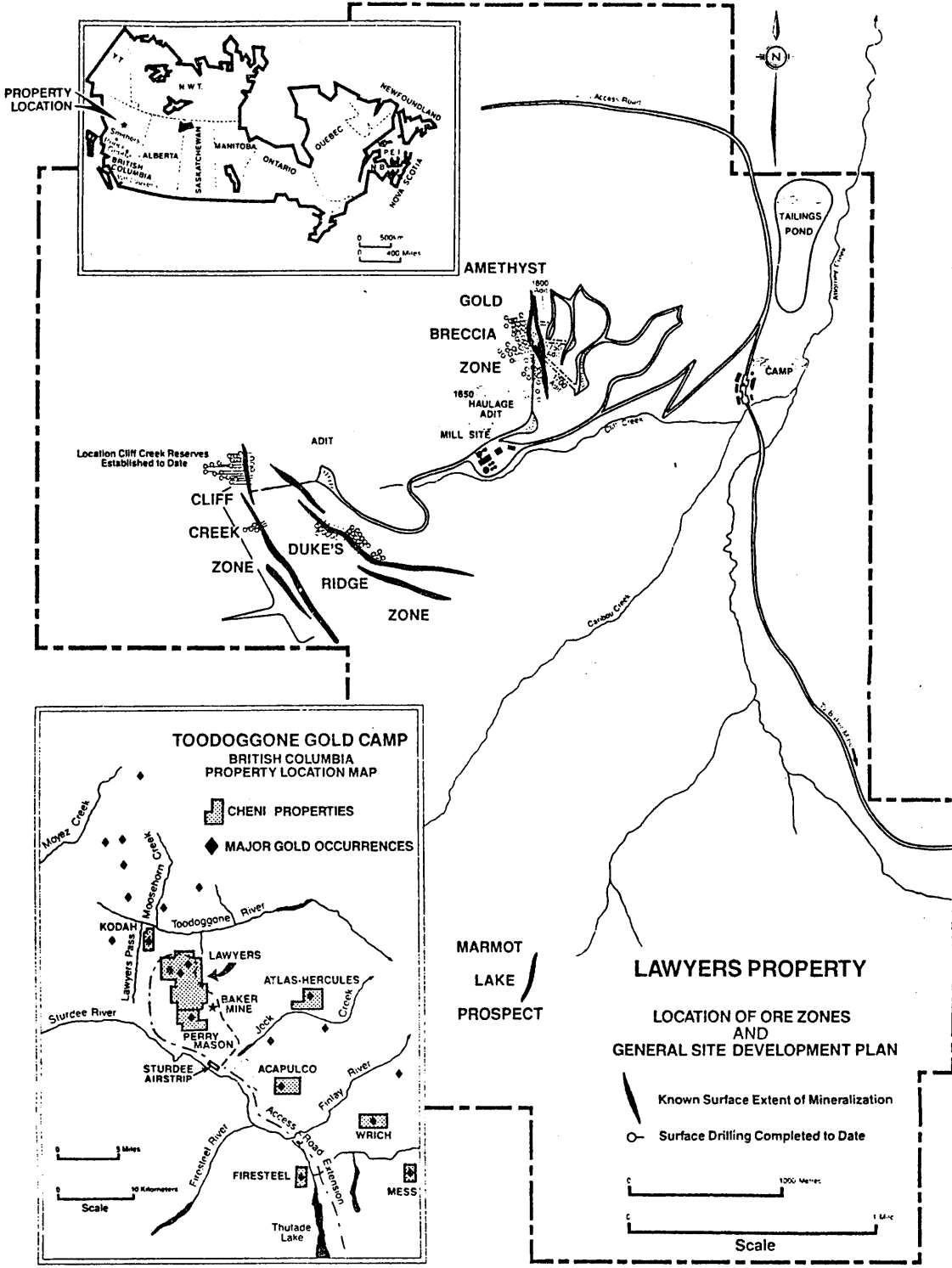
spent on 25,000 feet of diamond drilling to test the extensions of the Cliff Creek zone to the south. The balance is to be used on the Duke and other property targets. There is a further \$750,000 in the exploration budget for acquisitions and outside programs. This is in addition to the \$5,300,000 for the Cliff Creek zone production.

Cheni recently bought the A1 property, located close to the Cheni mine, from Energex. The A1 needs construction of a 22-km access road prior to the further exploration and development of the reserves established there of 70,000 recoverable oz. gold in 250,000 tons of 0.3 oz. gold/t. A permit has been obtained for the road to the A1 but a budget has not been set for the road in the 1990 program.

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