

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

<u>SIX MONTHS ENDED JUNE 30</u>	<u>1991</u>	<u>1990</u>
Sales(Less shipping/refining)	\$10,260,000	\$15,975,000
Costs/Expenses	11,876,000	13,445,000
Net Earnings (Loss)	(1,732,000)	2,468,000
Net Earnings (Loss) Per Share	(16¢)	22¢
Ore Milled (Total Tons)	95,017	100,510
Average Daily Tons	525	555
Average Mill Feed Grade (O/T)-Gold	0.22	0.29
- Silver (O/T)	4.75	8.08
Gold Production (Oz)	19,688	27,843
Silver production (Oz)	358,153	612,320
Cash Operating Cost/Ton	C\$92.24	C\$83.87
Cash Oper. Cost/Oz Gold Equiv.	US\$321.50	US\$196.07

<u>THREE MONTHS ENDED JUNE 30</u>	<u>1991</u>	<u>1990</u>
Sales(Less shipping/refining)	\$5,075,000	\$8,255,000
Costs/Expenses	5,214,000	7,090,000
Net Earnings (Loss)	(225,000)	1,267,000
Net Earnings (Loss) Per Share	(2¢)	11¢

LOWER GRADES DAMAGE BOTTOM LINE - Paul Savoy, president, reports Cheni Gold

Mines Inc. recorded a three and six-month loss which is attributable to lower head grades, resulting in a 29% decrease in gold production and a 42% decrease in silver production at the Lawyers mine located in the Toodoggone region, 200 miles north of Smithers, B.C. The contract to mine the higher grade BV deposit will be awarded shortly with milling of this ore expected to start in the fourth quarter. For the first half of 1991, after accounting for hedging, Cheni realized US\$403/oz for gold sales and US\$5.00/oz. for silver.

At the Lawyers mine, the 1991 exploration program started in June, which includes an E-Scan program to be carried out over the mine area. A comprehensive regional study complete with remote sensing is being conducted on Cheni's holdings in the Toodoggone region. Remote sensing will also be carried out on other promising ground in the area that may be acquired. As drill targets are identified, a drill team will be mobilized, time and weather permitting. Stope production from the Cliff Creek zone starts this month.

Phase I of the exploration program on the J & L property 20 miles north of Revelstoke, B.C. has been

completed. In Oct/90, EQUINOX RESOURCES LTD., 20%, and related company PAN AMERICAN MINERALS CORP., 20%, granted Cheni an option to earn a 60% interest by funding the property to production and spending \$3,000,000 on exploration by 3Dec93, subject to an 11% net profits royalty. The next exploration steps include surface prospecting, geochemical testing and drilling, to be completed this summer, to test the western extension of the Main and Yellow Jacket zones, as well as to explore for other potential ore deposits. (SEE GCNL No.98, 22May91, FOR J & L DRILL RESULTS)

In co-operation with principal shareholder BRGM, Cheni has been seeking offshore, open pit, heap leach mining targets. (SEE GCNL No.94, 15May91, P.1 FOR FIRST QUARTER REPORT)

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