

CHENI GOLD MINES INC. (CZ6-V)		
YEAR TO DEC. 31	1991	1990
Revenue	\$21,425,000	\$30,311,000
Costs & Expen.	*50,272,000	59,592,000
*Incl. Write Down (Loss)	22,600,000 (28,971,000)	30,859,000 (29,281,000)
(Loss) P/Share	(2.61)	(2.64)
Working Capital - (Deficit)	(4,905,000)	3,292,000
Long-Term Debt	9,287,000	8,917,000
Ore Milled-Tons	193,088	203,097
Average Daily Tons	529	556
Mill Feed Grade Oz/T		
Gold	0.21	0.28
Silver	5.06	7.55
Production (Oz.)		
Gold	38,530	52,630
Silver	720,704	1,160,426
Shipments (Oz.)		
Gold	38,079	52,654
Silver	718,134	1,161,299
Cash Oper. Cost/T of Ore (\$Cdn)	\$98.22	\$89.38
Cash Oper. Cost/Oz. of Gold Equivalent (\$US)	\$347.99	\$229.80

Paul Savoy, president of Cheni Gold has reported mining and milling activity at the company's Lawyers mine, 250 miles N of Smithers, B.C. continued through to the end of 1991. During the 4th quarter, the company gave notice of termination to certain of its employees including all of its miners. Milling operations will continue in 1992 until all available economic ore reserves have been exploited. During the first quarter of 1992, the company resumed mining activity to mine stopes previously developed. This course of action will generate sufficient mill feed to operate the milling facility at full capacity to the end of July 1992.

Negotiations are presently being conducted with resource companies who own mineral deposits within an economic distance from the milling facility. Preliminary estimates indicate that one such deposit could generate additional five months of mill feed.

The final report summarizing the results of an E-Scan campaign conducted in the immediate vicinity of the milling facility was completed. The report identifies several exploration targets. Further exploration is warranted. Funding for an exploration program is being negotiated with the BRGM, the principal shareholder of Cheni.

The company has decided to write-down its Lawyers Mine assets by \$22,600,000. The company has not met certain working capital and margin requirements under the terms of its credit facility with its banker. Discussions are underway towards a refinancing of the bank indebtedness and a restructuring of the company's other long term indebtedness.

Concurrently, the company is examining an offer from the BRGM for the transfer of revenue from a producing gold mining operation which would support a refinancing plan. An independent committee of directors has been appointed to examine a proposed transaction with the BRGM Group.

On 16Dec91, the company signed a new collective agreement with the two unions representing its occupational employees. The agreement is retroactive to 1Jul91, providing no wage increase until 1Jul92, when an increase of 5% is effective. The agreement expires 7Sept93.

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