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REPORT ON
PROPERTY OF

McKINNEY RESOURCES INC.

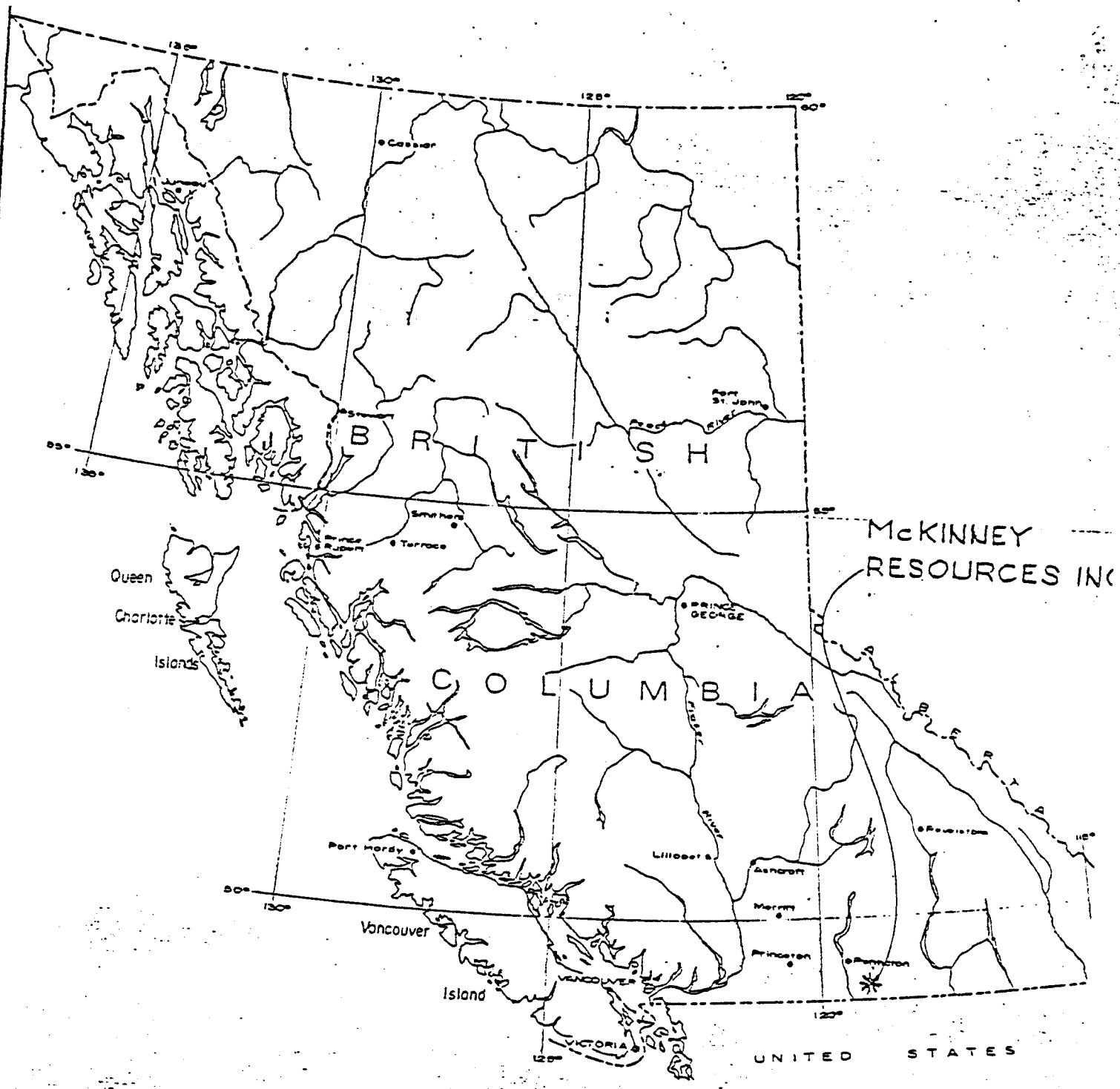
Greenwood Mining Division, B.C.

by

H. Brodie Hicks, P. Eng., M. Eng.

Vancouver, B. C.
May 15, 1980

BY 1011



BRODIE HICKS ENGINEERING LTD
 LOCATION MAP
 OF
 McKINNEY RESOURCES INC
 JULY 1979

INTRODUCTION

The following report has been commissioned by the Directors of McKinney Resources Inc., 14th Floor, 1030 West Georgia St., Vancouver, B. C.

The writer visited the property on July 24, 1979, spending about three hours in his examination. Information concerning history, geology, and past production has been drawn principally from Bulletin No. 6 of the British Columbia Department of Mines, "Geology of Camp McKinney", by Dr. M.S. Hedley, 1940, and from reports for the period 1959-62 by Henry L. Hill, P. Eng.

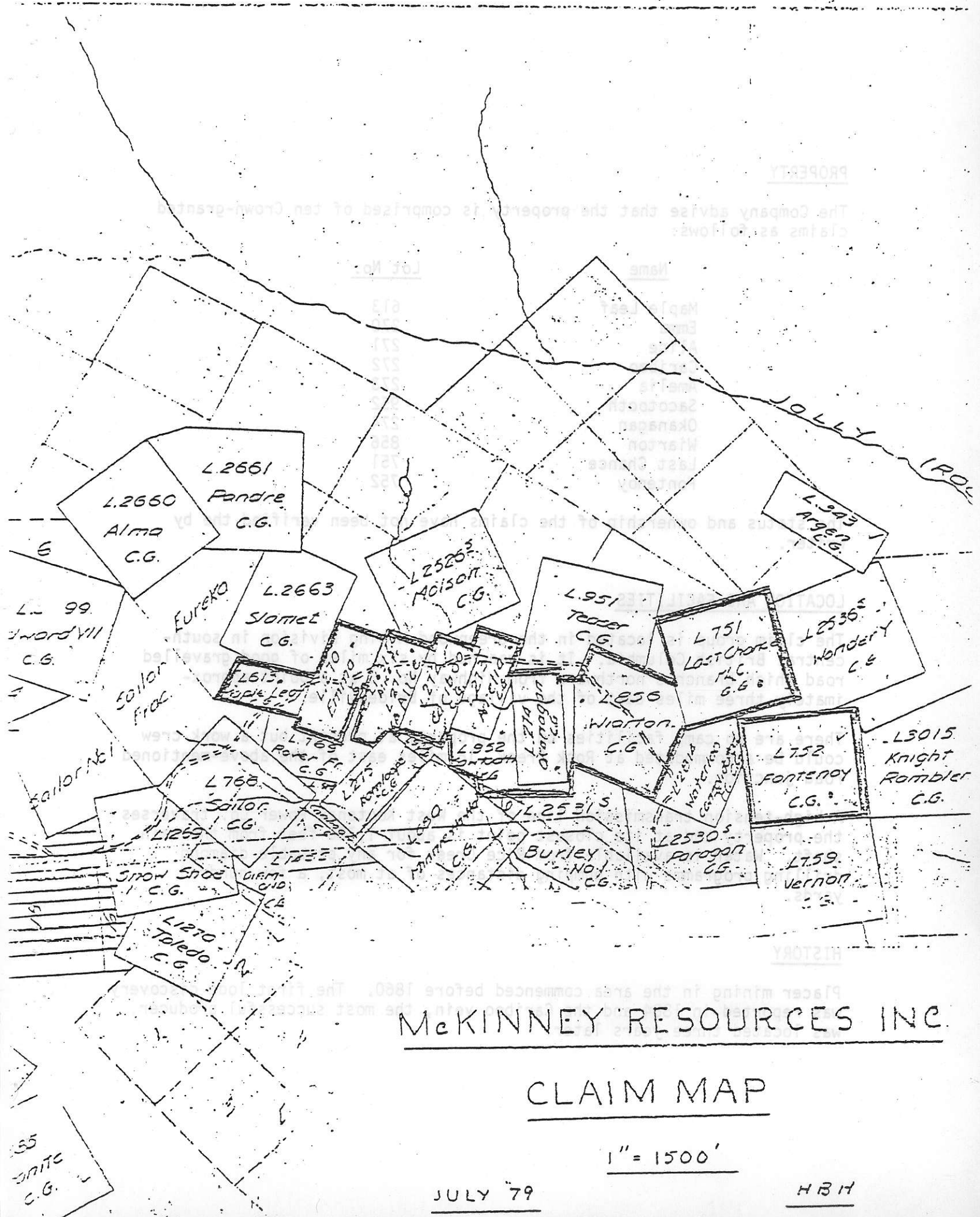
In a report following this examination, the writer recommended a modest programme of diamond drilling and trenching. This has been carried out in part with negative results. A revised approach is suggested herein.

SUMMARY AND RECOMMENDATIONS

1. The property, comprising ten Crown-granted claims, is located adjacent to good roads, near the village of Bridesville in south-central British Columbia. It is well situated with respect to all necessary facilities.
2. There have been two main periods of production. From 1894 to 1903, 123,457 tons were milled, yielding a recovered grade of 0.56 ounces per ton of gold. From 1959 to 1962, 11,291 tons, averaging 1.06 ounces per ton of gold, were mined and shipped to a smelter as siliceous fluxing ore.
3. It is considered that discovery of large bodies of milling ore is not probable but that a potential exists for the development of one or more oreshoots similar to that mined in the 1959-62 period.
4. The ore occurs in quartz veins, averaging three to four feet in width, cutting a thick series of sedimentary beds. Structure is complex, with much folding and faulting. There is evidence that the composition of the wall rocks has a controlling effect on ore deposition. Mineralization in the veins includes pyrite, galena, sphalerite, chalcopyrite, and free gold.
5. All production to date has been derived from a single vein, the Cariboo. There is potential for finding additional ore shoots in this vein in the old workings which are presently flooded, and also in possible strike extensions.

6. A branch vein, of similar dimensions to the main vein, and with similar sulphide mineralization, has been very partially explored by open cuts from surface and a few diamond drill holes. There is no documented record of this work but available evidence supports the conclusion that some gold content is present. Eastward of the surface exposure the vein is expected to traverse an area of favourable wall rocks.
7. In his report of July 27, 1979, the writer recommended further exploration of this branch vein by drilling and trenching. These recommendations were only partly carried out.
8. It is now recommended that this original programme be continued, and additional recommendations are made with respect to further testing of the main Cariboo vein and also of the adjacent Fontenoy vein.
9. The recommendations are staged with budgeted expenditures as follows:

Stage I	-	\$115,000
Stage II	-	<u>85,000</u>
		\$200,000



McKINNEY RESOURCES INC.

CLAIM MAP

1" = 1500'

JULY '79

HBH

PROPERTY

The Company advise that the property is comprised of ten Crown-granted claims as follows:

<u>Name</u>	<u>Lot No.</u>
Maple Leaf	613
Emma	270
Alice	271
Cariboo	272
Amelia	273
Sacotooth	952
Okanagan	274
Wiaraton	856
Last Chance	751
Fontenoy	752

The status and ownership of the claims have not been verified the by writer.

LOCATION AND FACILITIES

The claim group is located in the Greenwood Mining Division in south-central British Columbia. It is reached by six miles of good gravelled road which branches northward from Highway No. 3 at a point approximately three miles east of the village of Bridesville.

There are no camp facilities on the property at present but a work crew could be accommodated at Rock Creek, 16 miles east of the above-mentioned road junction.

A high-tension transmission line of the West Kootenay Power Co. traverses the property and at its closest point is about 1,700 feet from the main shaft. Water is available from Rice Creek for any probable diamond drilling programme with pumping distances of at most, a few hundred yards.

HISTORY

Placer mining in the area commenced before 1860. The first lode discovery was reported in 1884 and the Cariboo vein, the most successful producer, was located three years later.

The Cariboo and adjoining Amelia claims, which constitute the core of the present property, achieved production in 1894 and over the next ten years 123,457 tons were milled for an output of 69,581 ounces of gold and 5,359 ounces of silver. Recovered gold grade was 0.56 ounces per ton.

In 1935, a subsidiary of Bralorne Mines carried out surface diamond drilling and in 1939 Pioneer Gold Mines dewatered the mine and surveyed, geologized, and sampled the workings as well as carrying out an underground drilling programme. Subsequently, Highland Bell also carried out limited underground exploration. The prime objective of these programmes appears to have been location of the presumed faulted eastern extension of the vein.

In 1958, surface drilling by T. McArthur and Associates of Greenwood, intersected good values to the southeast of the old workings. On the basis of these results, R. Hunstone and Associates (later McKinney Gold Mines Ltd.), dewatered the mine, drove a 250-foot crosscut from the No. 5 level, and encountered a new oreshoot. Production from this shoot commenced in July 1959 and terminated in May 1962. During this period, 11,291 tons were extracted of an average grade of 1.06 ounces gold per ton. This material was shipped directly to the smelter as siliceous gold fluxing ore.

Subsequent work has been confined to minor trenching and diamond drilling discussed below.

On others of the Company's claims, notably the Fontenoy, there is extensive evidence of past work including shafts and trenches but it does not appear that any of these produced significant tonnages of ore.

GEOLOGY

A detailed description of the local geology is provided in the report of Dr. M.S. Hedley, cited above.

The property is underlain by a finely-banded series of mainly sedimentary rock of many types of which the most common are quartzite and greenstone. Their general strike is northwesterly and the dip northeasterly but there is both major and minor contortion. Faulting has been widespread.

The veins of which the most prominent is the Cariboo vein, are persistent, quartz-filled fissures, ranging in width from a few inches to ten feet. Mineralization includes pyrite, galena, sphalerite, chalcopyrite, and occasional free gold. The veins cut all rock types, but there is reason to suppose that ore deposition is strongly influenced by the type of wallrock, the most favourable being greenstone.

Longitudinal sections of the old working suggest a rake eastward of about 30 degrees probably due to the eastward dip of the favourable host rocks and of the more prominent faults.

The Cariboo vein, striking approximately east-west, has been traced on surface for 3,000 feet and in underground workings for 2,000 feet and to a depth of more than 500 feet. Only a portion of this area has actually been developed. Hedley, writing in 1940, was of the opinion that the possibility of locating additional oreshoots was good but that complications introduced by faulting made it difficult to pinpoint favourable areas. His opinion has been reinforced by the work performed in 1959-62.

At a point about midway along the developed length of the vein, a subsidiary, or branching vein offers promise as an exploration target.

GENERAL DISCUSSION

On existing evidence it does not appear probable that a major orebody, warranting construction of a metallurgical treatment plant, will be found. The more probable targets are small shoots of good grade material which could be shipped directly to a smelter as siliceous flux. The 1959-62 operation provides a typical example. Production of 10,000 tons of ore grading in the area of one ounce gold per ton would, at today's gold price, provide a substantial profit.

It is necessary, therefore, to consider the optimum location for an exploration programme. From available old maps and sections, it appears that substantial remnants of ore may exist in the old underground workings but the evidence is too uncertain to warrant the cost of pumping out and rehabilitating the mine. On surface, the vein is known to extend westward from the existing workings but it may be assumed that if grade had been good, some mining would have taken place. This may be considered a secondary target. To the east, on surface, the vein has not been located, although the faulted extension was developed underground during the latest production period. Exploration eastward by trenching and diamond drilling must therefore be considered.

In reviewing the 1958 drilling programme mentioned above, it appears that one hole, #11, which intersected 0.8 feet of quartz grading 0.36 ounces gold per ton, is anomalous in that it made the intersection about 60 feet beyond the known location of the vein and may represent a faulted segment or a parallel structure. This should be checked.

The branch vein also offers a potential for the discovery of ore. It appears on surface about half-way along the mined portion of the main Cariboo vein, striking about 30 degrees south of east in contrast to the

generally east-west strike of the main vein. As exposed in old surface workings, it has a width of four to six feet of quartz, mineralized as is the main vein, with pyrite, galena, and sphalerite. Chalcopyrite was not noted. Dip is nearly vertical. On the evidence of old maps, it does not appear to have been developed on any of the underground workings, but there are two surface cuts, reportedly the work of leasors. There is an undocumented statement that two rail cars of sorted ore were shipped by them, averaging 0.43 ounces per ton gold. Whether or not this report be accepted, the amount of work carried out suggests that some encouragement was received.

In 1962 (personal communication) Mr. R. Hunstone, a principal in past and present activities on the property, drilled three holes into the vein from a location about 75 feet to the south of the old workings. These holes, the collars of which were inspected in the course of the writer's visit, were directed respectively about $N30^{\circ} E$, $N 37^{\circ} - 30' E$, and $N 45^{\circ} E$, all at a dip of -45° . Mr. Hunstone states that all three intersected the vein and returned values of the order of 0.2 to 0.3 ounces per ton gold over widths of from three to eight feet. Again, this information is undocumented but supports the probability that the vein carries gold values and may warrant further exploration.

In addition to the Cariboo structure, the Fontenoy presents a second exploration target. Work at the turn of the century, on the basis of Minister of Mines Annual Report, revealed good values in gold, silver, and lead. The old workings are now saved, but abundant quartz vein material may be seen on the dumps.

PROPOSED PROGRAMME

Because of certain characteristics of the deposit, in particular the irregular pattern of mineralization, prevalence of faulting, the existence of parallel or subsidiary veins, and the comparatively small size of the targets being sought, it has not been found possible to lay out a long-range programme of exploration. Instead, suggestions for preliminary probes in several areas have been made with subsequent work being dependent on results achieved.

The total amount of work required, and the necessary budget, are therefore not based on definitive recommendations but represent an estimate of the probable expenditures required adequately to test the potential of the deposit.

With respect to the main Cariboo vein, the most interesting area is toward the east where, as noted above, underground workings were extended beyond the known surface showings. Provision has been made for exploration by bulldozer trenching with a budget figure of \$20,000 being estimated. Some trenching over old stoped areas should also be considered.

The eastward extension may also be tested by checking the results in the old #11 diamond drill hole mentioned above which was located toward the east end of the existing workings. It is recommended that a new hole be drilled as closely as possible to the original site and, if positive results are obtained, additional holes be drilled in both the horizontal and vertical planes with a view to extending the mineralized lens.

Additional drilling is also suggested for the branch vein. Three holes drilled in December 1979 to depths of about 150 feet failed to encounter any vein material and it appears probable that the vein has been displaced by flat faulting, a normal feature of the structure. It is therefore recommended that at least two holes be drilled to intersect the vein at a level between these later holes and those drilled in 1952. Again dependent on results, further drilling may be justified.

A modest amount of drilling on the Fontenoy vein is warranted. Two holes should be drilled toward the central portion of the vein to test continuity and values to a depth of about 50 feet. Further work would be dependent on the success of this testing.

For present budgeting purposes, the work has been divided into two stages. There should be a review of progress after completion of Stage I, but it is anticipated that the full budget will ultimately be required to complete the assessment of the property.

BUDGET

Stage I

Bulldozer Trenching	-	\$ 20,000
Diamond Drilling, 3,000 feet @ \$25/ft	-	75,000
Supervision, travel, consulting fees, etc.	-	<u>10,000</u>
		\$105,000
Contingencies - 10%	-	<u>10,000</u>
		\$115,000

Stage II

Diamond Drilling, 3000 feet @ \$25/ft	-	\$ 75,000
Supervision, travel, consulting fees, etc.	-	<u>10,000</u>
		\$ 85,000

20. STATUTORY RIGHTS OF RESCISSION

Sections 60 and 61 of the Securities Act (British Columbia) provides in effect, that where a security is offered to the public in the course of primary distribution:

- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Statement of Material Facts, together with financial statements and a summary of engineering reports as filed with the Vancouver Stock Exchange, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the Statement of Material Facts or any amended Statement of Material Facts offering such security contains an untrue statement of material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such Statement of Material Facts or amended Statement of Material Facts is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

21. CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER:

The foregoing constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.

SEPTEMBER 5, 1980
(Date)

Ray Hunstone
RAY HUNSTONE, Director/Promoter

Wayne Waters
WAYNE WATERS, Director/Promoter

*Harold Eisler by his attorney
Ray Hunstone*
HAROLD EISLER, Director

Ray Hunstone

CERTIFICATE OF THE UNDERWRITER(S) AGENT:

To the best of our knowledge, information, and belief, the foregoing constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.

SEPTEMBER 5, 1980
(Date)

CANARIM INVESTMENT CORPORATION LTD.

Per: *[Signature]*

SUMMARY:

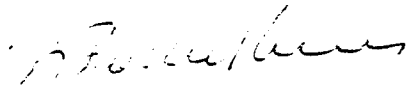
Stage I	-	\$115,000
Stage II	-	<u>85,000</u>
		\$200,000

FUTURE WORK

Should the proposed programme result in the discovery of one or more ore lenses it would probably be necessary to extract the ore by underground methods as in the past. At the Cariboo, this would involve rehabilitation of the existing headframe and bins, at least partial dewatering of the workings, and either drifting or crosscutting to the new mineralized area. The cost of such work cannot be estimated at this time but it would be substantially lower than the cost if the old workings were not in existence.

Respectfully submitted,

BRODIE HICKS ENGINEERING LTD.



H. Brodie Hicks, P. Eng. M. Eng.

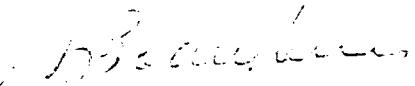
Vancouver, B. C.
May 15th, 1980

CERTIFICATE

I, Henry Brodie Hicks, do certify as follows:

1. That I am a consulting mining engineer with offices at Room 101, 1199 West Pender Street, Vancouver, B. C. V6E 2R1.
2. That I am a graduate of McGill University, Montreal, with the degrees of Bachelor of Engineering (1934) and Master of Engineering (1935) in Mining Engineering.
3. That I have been practising my profession for more than 40 years.
4. That I am a member of the Association of Professional Engineers of the Provinces of British Columbia and Ontario.
5. That this report is based on a visit to the property on July 24, 1979, a study of reports by qualified engineers, and personal communications by persons familiar with the property.
6. That I have no interest, directly or indirectly, in the subject property nor in the securities of McKinney Resources Inc. nor do I expect to receive any such interest.
7. That this report may be used in a Statement of Material Facts or similar document but may not be abbreviated or excerpted without my consent.

BRODIE HICKS ENGINEERING LTD.



H. Brodie Hicks, P. Eng., M. Eng.

HBH/dh

Vancouver, B. C.
May 15th, 1980