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April 18th, 1961.

The President and Directors,
McKinney Gold Mines Limited,
Vancouver, B. C.

Dear Sirs:

This report presents up to date
information on the operation.

MARCH RESULTS

During the month of March, due to road restrictions, only one car of ore (73.2 tons) was shipped, having a net smelter return value, before royalty, of \$2,571 or \$37 per ton.

Total costs for the month were \$28,772, of which approximately \$25,000 is chargeable to shaft sinking, etc., and \$3,772 to 500 level stop development.

The total cost of the depth development program, up to the end of March, amounts to \$40,000.

SHAFT DEVELOPMENT

Sinking the main shaft has been completed at 45 feet below the 600 level. The 50 ton capacity shaft pocket is now being timbered and, within a few days, the 600 level cross-cut will be started on a three shift per day basis.

A 525 foot long flat diamond drill hole from the 600 level station failed to intersect the downward continuation of 5-1 ore zone. As this ore zone was intersected by two previous drill holes from 500 level, it seems apparent that either flat or steep dipping faults have shifted the vein towards the south. The drill hole encountered 200 feet of broken greenstone showing some talc, and then 325 feet of brown-black quartzites similar to the wall rock on 500 level.

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EXTRACTION

Ore is now being shipped from 5-2 stop. By the end of the month eight cars, having a net smelter return value of \$18,000, should be shipped.

The raise, started from 500 level 20 feet beyond 5-1 stop, encountered good ore, assaying 3.25 ounces over 1.5 feet, at a height of about 35 feet above rail. This raise is being driven to extract the 200 to 400 tons of ore in the bottom of a sub-drift at rail plus 60 feet in the west end of 5-2 stop. As soon as the broken ore has been removed from 5-2 stop work will start sub-drifting into the Warton Mineral Claim, on the vein which, at one point, shows better than 1 ounce ore over 2 feet.

RECOMMENDED PROGRAM - 600 LEVEL

A sketch map accompanying this report shows the proposed development program, namely - to crosscut 300 feet, then, from the face of the crosscut, diamond drill three holes totalling about 500 feet to follow down the ore encountered on 500 level and the two previous drill holes below the level. Once the ore has been located, and the faulting established, crosscutting will be continued to the vein, and then drifting and raising will be started to develop for mining the ore between 600 level and 500 level.

The shaft sinking program is continuing close to schedule as to both cost and completion date, as outlined in our report of March 10th, at which time we anticipated 150 feet of crosscutting would be completed by the end of April.

On the basis of the program outlined above, the 600 level drift should be completed by the end of May and the raising started from 600 level to 500 level. Ore from the 600 level work should be available for shipping during the month of May.

FINANCIAL FORECAST

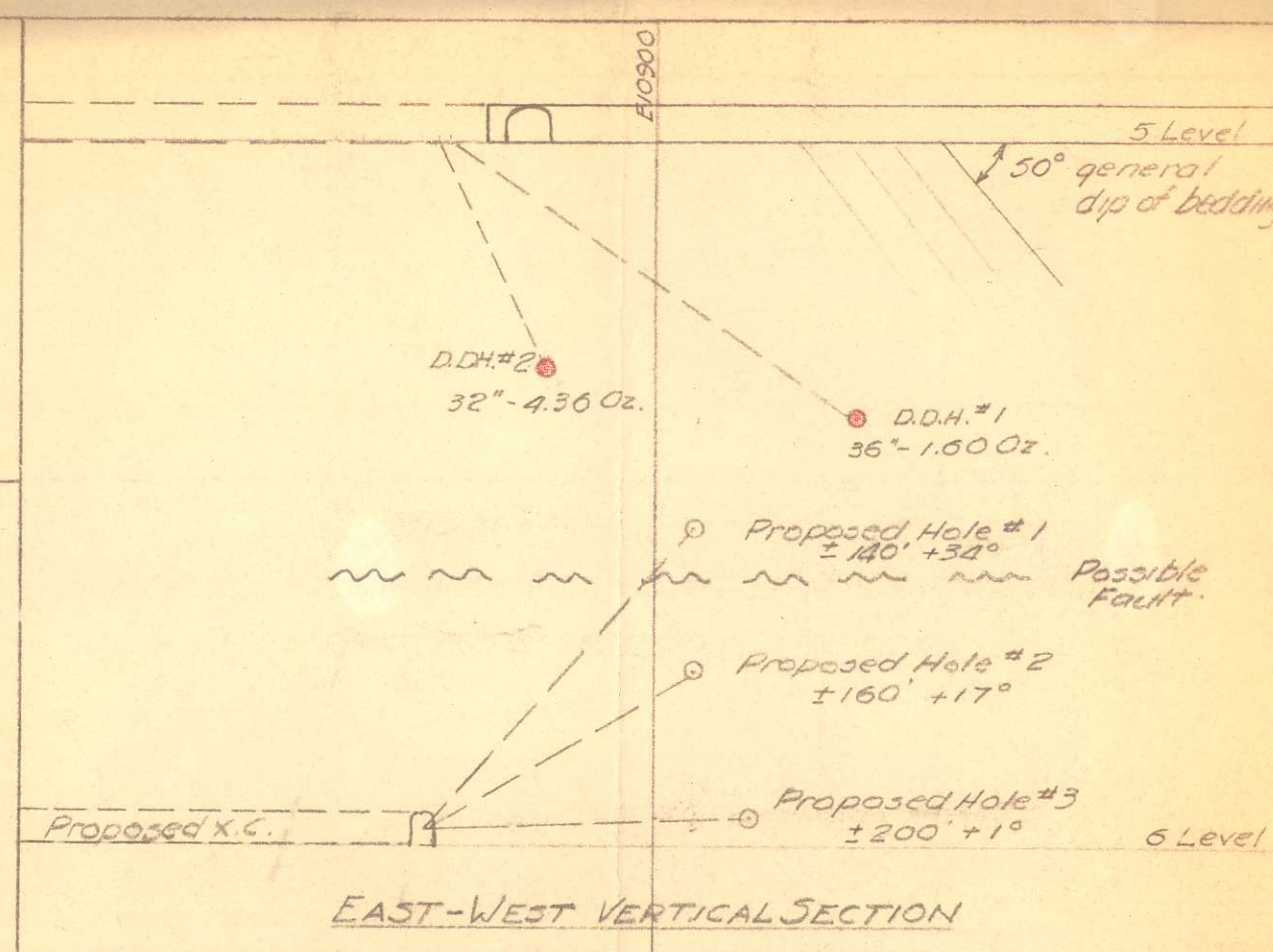
Capital expenditures during April are estimated at \$20,000, and the operating profit at \$15,000, or a loss of \$5,000 during the month.

Yours very truly,

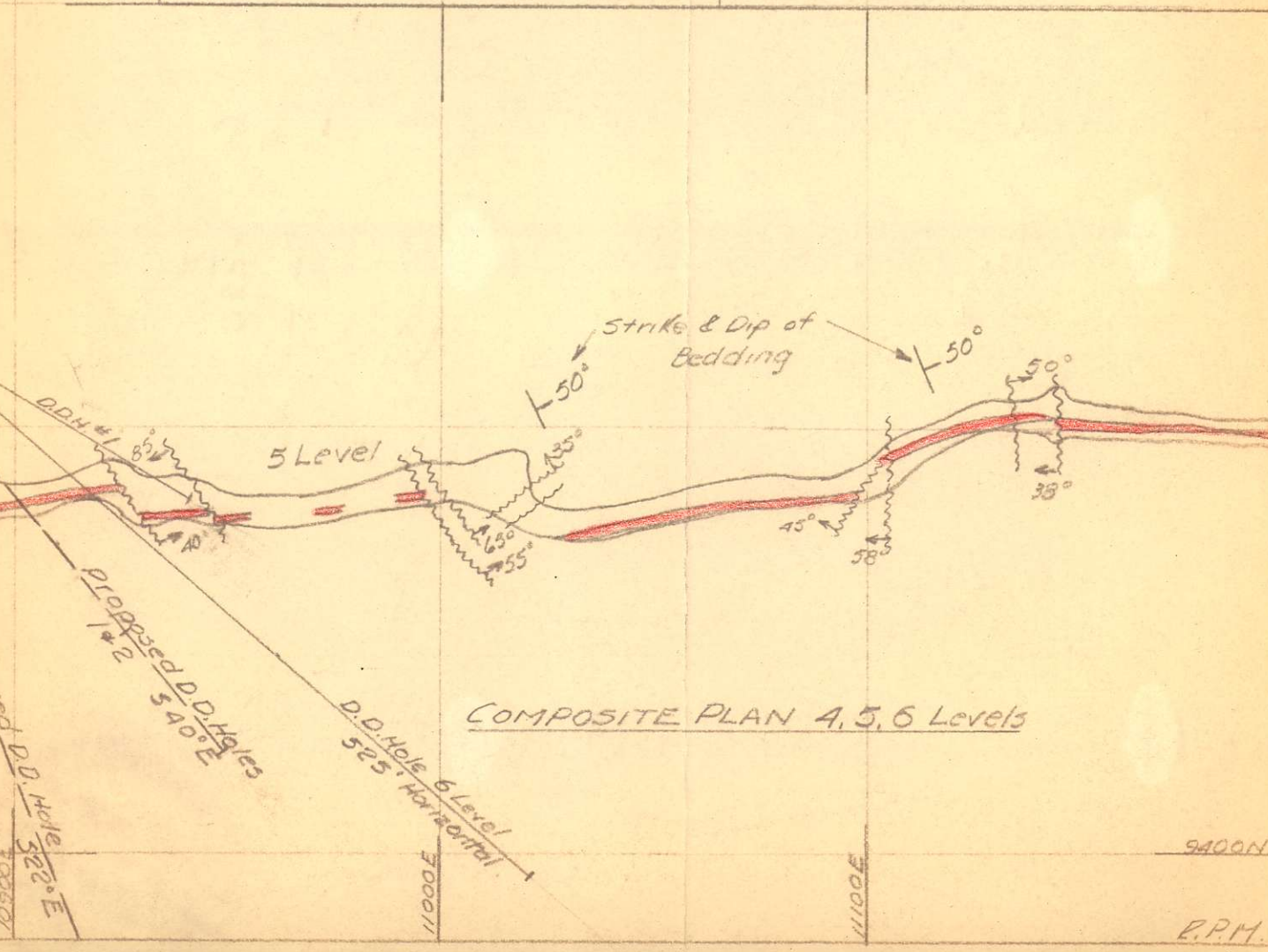
H. HILL & L. STARCK & ASSOCIATES LTD.


Henry L. Hill

HLH/njr



MCKINNEY GOLD MINES LTD.
 COMPOSITE PLAN & VERTICAL SECTION
 SHOWING PROPOSED 6L DEVELOPMENT
 Scale 1"=40'
 April 17 '61



R.P.M.