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McKinney**McKinney Mines Corp.**

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July 21, 1994

Dani J. Alldrick
Manager, EXPLORE B.C.
Fifth Floor, 1810 Blanshard Street
Victoria, B.C.
V8V 1X4

VIA FAX: 604.952.0381

Dear Dani:

RE: EXPLORE B.C. PROGRAM - REFERENCE NO. 157 - CAMELIA

This letter will confirm our telephone meeting this morning regarding the subject application, which has been denied funding, and the need for a sound reasoning for the denial.

Our McKinney management team is the same group that developed Western Canada's only new mine in 1993 - the Keystone Gold project at Lynn Lake Manitoba. The Project was controlled by Cazador Explorations Limited (B.C. Corporation), which we founded and then amalgamated with Granduc Mines Limited (B.C. Corporation) to form Granduc Mining Corporation (B.C. Corporation). Conwest Exploration Company Limited bought control of Granduc, and moved the corporate office to Toronto (April 1994).

Since April our team has activated McKinney Mines Corp., a company which we have controlled for some three years. As part of this activation we have purchased control of Gold City Resources Inc., which is listed on the Alberta Stock Exchange, and moved the corporate office to Vancouver, B.C. An amalgamation of McKinney and Gold City has been proposed and is pending.

The investors supporting our group are sophisticated and were most helpful in advancing the Keystone Gold project to production. These investors, through Cazador/Granduc, were involved in two successful Manitoba MEIP financings (1992 and 1993), and are therefore familiar with the MEIP format. In order for me to now raise the necessary financing for the proposed \$450,000 McKinney exploration program, I need to be able to provide sound reasons for the EXPLORE B.C. denial. The investors' biggest concern is that the program grant may have been denied by your committee because of some environmental or land claim issue - if this is the case, McKinney's chance of raising funds, for the proposed program, is dismal.

Please advise me in writing as to the reason for the denial and please address any environmental or land claim issues that may have had an impact on the negative decision of your committee.

Yours truly,
McKINNEY MINES CORP.


John A. Chapman, P.Eng.
President



The Northern Miner July 11, 1994

Northern Miner July 25, 1994

2 pgs.

TOM SCHROETER

Gold City acquiring producer

VANCOUVER — Concurrent with a change in control, Gold City Resources (ASE) hopes to revive the old Camp McKinney property near Bridesville, B.C.

Control of Gold City recently changed to John Chapman, Mel Smale and William Kure with Paul White, former president, remaining as a director.

The John Chapman group of companies (through Cazador Explorations) brought the Keystone gold mine into production last year by reviving the 1,500-tonne-per-day Lynn carbon-in-pulp mill at Lynn Lake, Man.

The project, Western Canada's only new gold mine, is a joint venture with Black Hawk Mining (TSE). A merger of Cazador and Granduc Mines, followed by a financing, resulted in control of Keystone being transferred to Conwest Exploration (TSE) and its associated company, Jascan Resources (TSE).

Chapman, now president of Gold City, expects to complete some form of combination with McKinney Mines, the private company that owns the Camp McKinney properties. Chapman is also president of McKinney and notes that both companies now have essentially the same management and major shareholders.

The Camp McKinney claims are

centred on the Cariboo-Amelia mine, a former underground producer. Mining dates from the late 1800s and early 1900s, with limited production having occurred as recently the 1960s.

Past production from the mine is reported at 87,200 oz. gold from 121,800 tons of ore for a recovered grade of about 0.72 oz. gold per ton.

The mine's Main vein has been traced 6,400 ft. along strike, while the old mine workings cover only about 2,500 ft. of strike down to a maximum depth of 580 ft. Further potential is seen on strike and to depth, particularly as the vein is of a mesothermal type, which often extends to depths comparable to the mineralized strike length.

Chapman also sees potential in identifying skarn zones on the property similar to that being developed at the Crown Jewel concession (owned by Battle Mountain Gold and Crown Resources) 12 miles southeast in Washington state.

Pending a financing, planned work this year is budgeted at \$450,000 and includes mapping, geophysical work and 10,000 ft. of diamond drilling in two stages.

Meanwhile, Gold City is awaiting further assays from drilling on its Midway project, 7 miles to the southeast.

Recent drilling by Sway Resources (VSE) and Phoenix Resources, which jointly own a 51% interest in the property, returned an 11-ft. intersection grading 1.52 oz gold from a breccia zone of indeterminate size. The hole is 65 ft. south of the 1990 discovery (rotary) hole which encountered 20 ft. grading 0.25 oz. gold.

Chapman is excited about the property's potential given its proximity to a large sulphide mineral system known as the "Old Nick." This latter deposit forms part of the Midway project and is just over a mile north of the high-grade hole. Old Nick is estimated to contain 100 million tons grading 0.22% nickel plus undetermined copper and cobalt.

Following a debt settlement and a \$200,000 private placement from McKinney Mines, Gold City has 8.6 million shares outstanding and a positive working capital position.

Alberta-listed Gold City Resources came off a 5-week trading halt strongly, trading as high as 42¢ before closing up 14¢ at 29¢.

The issue was halted at the request of the company while a change of control was undertaken.

Subsequent to the halt, drilling on Gold City's property in Midway, B.C., returned an 11-ft. intersection grading 1.52 oz. gold.

Sway Resources and Phoenix Resources have completed a 51% earn-in on the project and expect to release additional drill results shortly.

Sway lost a nickel to close at 55¢.

Gold City is considering combining with McKinney Mines, a private company with common management. McKinney owns the Camp McKinney property east of Ossoyoos, B.C. Past production from the former underground producer totals 87,200 oz. gold from 121,800 tons of ore, most of which was mined in the late 1800s and early 1900s.