

INT. PACS + Dec 1
 NOV / DEC 1983

Velvet Exploration Co. Ltd. VSE-VLV

Velvet has signed a letter of intent with Acacia Mineral Development Corp to grant an option for a 30% participation to equip and do further

development work to put the Rossland, B.C. Velvet Mine into production. Work will start in February 1984 and clean up work will take one week and installation of a compressor and underground machinery another 30 days. Further diamond drilling will prove up the potential of 500,000 tonnes of mineralization. Average reserves from information to date show 0.40 ounces gold, 1.00 ounces silver and 7% copper per ton.

82F/400
 (82F SW162)

NO. 99(1982)
 MAY 25, 1982

82F SW162

GCM #99 25MAY82

VELVET EXPLORATION CO. LTD.

82F/400

82F SW162

SHIPMENT OF 20,000 TONS TO - A contract has been signed with Keemore Mine Services Ltd. for the removal of from 1,000 tons up to 20,000 tons of mineralization from the ore pile on the Eighth level and from the Old Dump on the First level of the Velvet Mine, Rossland, B.C. This material is to be shipped to a mill in the vicinity for processing. All costs incurred are to be paid by Keemore Mine Services Ltd. Velvet is to receive 15% of the net proceeds. Work is to commence immediately and the contract expires when the tonnage reaches 20,000 tons or 31Dec82, whichever is reached first.

Meanwhile, Velvet has received approval to complete the purchase of the 200 ton mill located at Rossland, B.C., and are presently preparing to rehabilitate the mill, buildings, equipment, etc. It is estimated that this work will take approximately 60 to 90 days to complete.

Velvet has moved some of the required equipment to the San Ignacio Mine, Mexico, and the balance is being accumulated. The first leaching pad is expected to be in operation shortly.

Velvet Exploration Co. Ltd. shares have been accepted for over the counter trading in the U.S.A. on NASDAQ.

NO.150(1982)
AUGUST 6, 1982

GCNL #150 6 AUG 82

82F/4W 082FSW162

Velvet Exploration Co.Ltd. has reported that 1,000 tons of ore shipped from the Velvet mine near Rossland, B.C., has arrived at the H.B.Mill in Salmo, B.C., owned by David Minerals Ltd. The concentrates will be shipped to a smelter. The materials are grading approximately 0.16 oz/ton gold as well as other minerals. The mine crew are preparing a further shipment.

GCNL #134 13 JULY 1983 VELVET EXPLORATION CO. LTD.

82F/4W (082FSW162)

GOLD-SILVER PROJECTS - Four random grab samples taken from the approximately 10,000 tons of IN MEXICO REVIEWED ore now stockpiled for the No.2 leaching pad at the St.Ignacio mine, owned 49% by Velvet Exploration Co. Ltd. in Sonora state, Mexico, ranged in assay values from 0.060 to 1.134 oz.gold/ton and from 1.23 to 166.77 oz.silver per ton.

In reporting this, Wm.A.Graham, chairman, says No.2 pad is expected to be completed and loaded by the end of this month. Meanwhile, recovery from No.1 pad is proceeding and he expects the first bulk recovery will be sold by month end.

Velvet are negotiating to acquire another mine in Sonora, Mexico, called the Leonardo from which 2 grab samples of surface and vein materials assayed from the Leonardo Dark vein 0.020 oz.gold and 74.10 oz.silver/ton and from the Leonardo Red, on surface, 0.010 oz.gold and 0.45 oz.silver/t. Spectrograph analyses show the ore also contains major amounts of lead, iron and silica and also suggests assays be conducted for zinc. More sampling is being done and a geological report is being prepared.

Directors have decided not to joint venture the company's Velvet mine at Rossland, B.C. The costs of putting the mine into production are now being estimated.

Velvet expects revenue from leaching operation

I have been a subscriber to The Northern Miner for three years and have seen only a couple of sentences printed in your newspaper in regards to Velvet Exploration. I have been attempting to follow this stock as best as I can over the past years and have acquired a number of their shares. It has been my understanding that Velvet has a gold property in Canada and a gold and silver property in Mexico which they are currently trying to bring into production. Can you verify this?

Whatever current information you may be able to furnish on this will be greatly appreciated.

D.E.F., Milwaukee, Wisc.

Velvet Exploration Co., the shares of which are listed on the Vancouver Stock Exchange, holds several mineral properties, as well as participating in a number of oil and gas undertakings both in Alberta and in Texas.

At the present time the company appears to be concentrating its efforts on a gold-silver operation in Mexico known as the San Ignacio mine at Sonora, which is now in production and in which it holds a 44.1% net income interest. This is a leaching operation with initial production

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15 SEPT 1983

now being derived from a 2,000-ton batch of ore being treated on the No.1 pad. Meanwhile a second and larger pad has just been completed, with a 10,000-ton batch of ore loaded and leaching getting under way. The company recently reported that it expected to sell the first bulk gold-silver recovery from the No. 1 pad by the end of July, with results to be announced "as soon as possible."

The company also says that it is negotiating for the purchase of a second nearby mine in Sonora called the Leonardo. Also it is discussing the rental of some of its equipment in Mexico to another Vancouver-based company that is acquiring two silver-gold mines close by Velvet's San Ignacio operation.

The company also reports that it is gathering cost estimates for putting its Velvet mine in the Rossland area of B.C. into production and on which it hopes to be able to make an announcement shortly.

82F/4W (082FSW162)

Velvet Exploration Co. Ltd. has signed a letter of intent to grant to Acacia Mineral Development Corp. an option to acquire a 30% interest in the Velvet mine at Rossland, B.C. for \$5000 now paid plus \$150,000 payable by 31 May 84. The funds are to be used for mining and exploration. At the San Ignacio Mine in Mexico, Velvet is increasing production by the addition of more leaching pads and purchase of a 150 ton per day precipitate plant.

GCNL #240 12 DEC 83

82F/4W (082FSW162)

MINER 3 DEC 81

Velvet Explorations has signed a letter of intent with Carnelian Mines to purchase a 200-ton-per-day mill for an undisclosed sum. The mill is located about 12 miles from the portal of the company's Rossland, B.C. precious metals prospect. The purchase includes equipment, buildings, a 5-year lease on the mill site with an option of another five years on the property. The mill is expected to be operational in about 30 to 60 days. Initially, a stockpile of 3,000 tons will be processed. President W. A. Graham said ore will be hauled out for processing by mid-January.

Velvet is currently engaged in rehabilitating this former producer. An access road is being widened from the main haulage portal #800 to the government road to facilitate haulage to the mill.

Last year, Velvet carried out 3,000 ft. of drilling, of which 800 ft. was diamond drilling and the rest percussion drilling. Mr. Graham said further diamond drilling is required, likely to commence in the first quarter next year, to prove its potential reserves of 400-500,000 tons' ore. Only grab samples from the percussion drilling are available. But Mr. Graham expects values not to stray much from the three samples taken from the stockpile. They were: 0.20 oz. gold, 1.42 oz. silver, 9.2% copper; 0.12 oz. gold, 1.36 oz. silver, 12.4% copper; and 0.88 oz. gold, 0.46 oz. silver and 1.86% copper per ton.

VELVET

82F/4W

082FSW162

NO. 53 (1982)
MARCH 17, 1982

GCNL #53

17 MAR 82

82F/4W

082FSW162

Velvet Exploration Co. Ltd., by 12A, 1980 agreement acquired 60% working interest in the Cheetham No. 1 and No. 2 leases of approximately 40.68 acres in Sandusque county, Texas. The company assigned 50% of their working interest to Graham Industries Ltd., retaining 30% working interest, 24.30% net revenue interest.

Velvet have acquired 40% of 75% working interest, 30% net revenue interest, in the Carroll A, B and C leases in Creek county, Oklahoma.

The company has acquired a mill, equipment and buildings in the area of their Velvet Mine property near Rossland, B.C. from Carnelian Mines Ltd. for 125,000 and 35,000 shares. John Horos has agreed to accept 25,000 shares for 167,725 drilling and exploration services performed on the property.

Velvet Exploration directors John St. Aubrey Davies and Clifford H. Spence as to 6,000 each, W. A. Graham as to 25,000, Kenneth P. Brunning as to 35,000 and Mrs. A. Graham as to 50,000 shares have been granted incentive options to buy a total of 120,000 shares at \$2.50 each through 30 Sep 82.

GCNL #211 4 NOV 81 VELVET EXPLORATION CO. LTD. 8217 SW 082151163

VARIOUS INTERESTS REVIEWED- Violet E. Graham, secretary of Velvet Exploration Co. Ltd., has reported that a recent U.S. investment advisory letter has been distributed regarding Velvet. She has reported on the company's various properties.

At the Velvet mine, a copper gold prospect near Rossland, B.C., a reserve potential of 500,000 tons is indicated plus other potential. At present the company is conducting an EM 16 and a ground magnetic survey to delineate the mineralized zone. Results should be available within three weeks. An engineers report is being prepared.

Velvet has a 44.1% net revenue interest in the San Ignacio properties, Mexico, where no systematic sampling program has yet been carried out. The company has bulldozed 17 trenches across the property and are to be sampled. This program has been delayed awaiting work permits. It is now to start in early November. Velvet plans to set up a leaching program and commence a 1000 ton trial pad, depending on the results. Further pads will be started. The company said the partner in the San Ignacio property is a Mexican National as required by Mexican law, not the Mexican Government. Also the property covers 22 acres-not 200 acres.

About the gas and oil interests, Velvet Exploration has reported that it has not had any engineering reports prepared to confirm the ultimate recovery from its oil and gas properties. All the information received has been from geologists reports attached to the original offers to purchase the leases. Present oil and gas production is as follows: Buffalo Lake, Alberta-16-2/3% working interest-to date one capped gas well awaiting testing and a gas contract. 1920 acres involved. Ronalane, Alberta-10% working interest, 8.5% net revenue interest-one producing oil well restricted to 100 barrels of oil per day and two capped gas wells awaiting testing and a gas contract. This well has been producing steadily for the past several years netting the company an average of \$1,500 per month. Carroll A, B, and C leases- Oklahoma-20% working interest, 15% net revenue interest, #1 well on each of the B and C leases completed and producing 55 barrels of oil per day total from the Red Forks zone. On the C #1 well a second zone-the Bartlesville was swabbing an additional 30 barrels of oil per day and 250 barrels of water. It is intended to redrill an old well on the property as a water disposal well soon. To date 1100 barrels gross of oil have been shipped from production. Current production is 55 barrels of oil per day. Cheathan lease, Texas, 30% working interest, 24.38% net revenue interest-production from January 1971 to July 31, 1971 has been 1586 barrels of oil gross. Kaye field, Doyle Walston lease, Texas, 75% working interest, 60.9375% net revenue interest-production from November, 1980 to July 31, 1981 was 674 barrels. A paraffin problem on these two wells has necessitated shut downs. Measures are being taken to eliminate this problem. Link A & B leases, Kansas, 6% working interest, 2.875% net revenue interest-the last cheques received average \$2,500 per month. Production is averaging 360 barrels per month gross.

The producing wells give the company a cash flow averaging \$15,000 per month. The wells awaiting completion and those awaiting gas contracts will give an additional approximate \$15,000 per month. A contract has been negotiated with Contract Mining Co. of Arizona to process the ore from their Castle Dome Mine in Arizona

with Velvet's 100 tons per day portable mill and crusher. The contract is to commence in the coming week and will provide Velvet with a cash flow of \$25 per ton or approximately \$35,000 per month based on 70 tons per day on a 20 day working month.

GCNL #230 2 DEC 81 VELVET EXPLORATION CO. LTD. 8217 SW 082151163

Velvet Exploration Co. Ltd. president W.A. Graham has reported a letter of intent has been with Carnelian Mines Ltd. regarding the purchase of a 200-ton per day mill and equipment, including buildings, etc. along with a 5-year lease with an option for an additional 5 years on the property on which the mill is located, being approximately 12 miles from the portal of the Velvet Mine near Rossland, B.C. It is expected that the mill could be in operation in approximately 30 to 60 days after approval by regulatory authorities. Velvet is continuing the rehabilitation of the various levels of the mine. A geophysical survey is underway. In a new report, John Rud, geologist, says the Velvet Mine area has an excellent potential to contain mineralized reserves in the 400,000 to 500,000-ton range.

GCNL #211 4 NOV 8 VELVET EXPLORATION CO. LTD. 82F/4W 082AFSW162

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MINER 8 OCT 81

Velvet Exploration will actively pursue the development of two precious metal properties, one located near Rossland, B.C., and the other in the state of Sonora, Mexico, says W. A. Graham, president.

The Velvet mine was closed during the 1960s because of cash flow problems and in 1978 Velvet purchased a 100% working interest in the nine crown-granted mineral claims for 50,000 shares. Any production is subject to a 10% net smelter return royalty following an initial 5% n.s.r. covering the first 20,000 tons of ore removed.

Some of the mine workings have been rehabilitated and the company discovered about 3,000 tons of stockpiled ore from the previous operators, part of which will be used for a trial mill run. Revenue from this material will likely be pumped back into the operation, we gather.

Mr. Graham reports that Velvet has a 100-ton-per-day mill in Arizona which could be used on the property, or a joint venture program with a major company may be an alternative to this route. The company has spent over \$207,000 on the mine, thus far.

Velvet has a 44.1% interest in the Mexican property's mining contract and historical data indicates work has been done there intermittently since the 16th century.

Preliminary evaluation indicates leaching could be used to extract precious metal values from material in the known 22 acres of mineralized rock. Overburden has been removed and a series of 17 pits completed. Exploration costs to date amount to \$56,000.

82F/4W
082F5W162

GCN L # 197

15 OCT 81

VELVET EXPLORATION CO. LTD.

82F/4W 082F5W162

Sample Location	Gold oz/ton	Silver oz/ton	Copper %
Fourth level	0.16	0.26	1.14
	.564	7.23	5.11
	.264	0.70	6.20
	.706	1.10	1.22
05 Stope area	0.553	0.34	3.77
	.176	.39	2.22
Ore bin dump	0.036	0.29	2.12
	.218	nil	1.5

ASSAYS OF GRAB SAMPLES REPORTED

Wm. A. Graham, president of Velvet Exploration Co. Ltd., has provided assay results from grab samples taken at their Velvet mine at Rossland, B.C. as reported by their geological consultant, John Rud of Arizona. Mr. Graham says the miners are now completing a raise from the 7th level to intersect the mineralized zone.

Management are negotiating for Velvet's possible purchase of a mining property with a mill on site which would be used to process material from the Velvet mine. Elsewhere, oil continues to be produced from the Carrol B and Carrol C leases in Oklahoma in which Velvet have an interest and drilling of the first well on the Carrol A lease will be completed imminently.

Velvet Exploration Co. Ltd. president W.A. Graham has reported that the company has a 60.9% net revenue interest in the Watson lease in Texas where two wells are producing oil. The daily production rates have not yet been established. The company has a 9.6% net revenue interest in the Link A lease in Kansas where a well is producing 30 barrels per day on an initial basis. Sustained production rate for this well has not yet been determined. The company has the same 9.6% net revenue interest in the Link B lease where a well has an initial production rate of 64 barrels per day. Further wells are planned for each of the Link leases in December. 82F/4W

Velvet Exploration has made arrangements to restore the old Velvet mine near Rossland, B.C. Work is now underway in the mine. F

GCNL #67 7 APR 81
FURTHER WORK PLANNED FOR
COPPER GOLD SILVER PROPERTY

VELVET EXPLORATION CO. LTD. 82F/4W 082FSW162

Velvet Exploration Co. Ltd.'s president, W.A. Graham has reported that 58 drill holes underground have been completed at the Velvet mine, near Rossland, B.C. This drilling indicated extensions to the massive sulphides present and previously mined on the 600 foot level. The drilling samples have been forwarded to the assayers for testing. Studies will now be undertaken when the final results become known, to determine the next phase of development and financing of the Velvet mine. F

N MINER
30 APR 81

Velvet Exploration will continue work on its Velvet mine near Rossland, B.C., even though results from a percussion drilling program weren't as good as expected, says W. A. Graham, president.

Rehabilitation of the 800-ft. level haulage way is scheduled to proceed immediately together with the driving of a new development raise in the 705 stope. Velvet expects to ship 2,000 tons of ore grade material from this raise to a custom mill for evaluation purposes.

82F/4W

082FSW162

GCNL #85 01-05-80

VELVET EXPLORATION CO. LTD.

82F/4W

082FSW162

DRILLING OF GOLD AND OIL PROJECTS STARTING - Velvet Exploration Co. Ltd. have started work on the 8th level tunnel of the Velvet Claims near Rossland, B.C. Wm.A.Graham, president, reports that, "The road has been cleared and widened and the portal has been cleared of all debris and overburden. The tunnel itself has been found to be in exceptionally good condition with the railway track still in place. With the aid of ore carts we have cleared out approximately 1200 feet of the tunnel and find we need only a minimum of timbering. Our intention is to reach the raise to the 6th level and then drill in the same location that was being drilled when the mine was closed in 1967. Old drilling logs and assays from 1966 show substantial mineralization in this location with one assay showing 3.33 ounces of gold per ton and 0.11% copper."

By an agreement extended to 31Mar81, Allen Diamond Drilling are to drill 3000 feet (of which some 800 feet have been completed) at their expense to earn 20% of mine production. Mr.Graham expects their drilling to resume in about 2 weeks.

Subject to regulatory approval regarding a 32.66-acre oil lease in Wilson county, Texas, Mr.Graham says it is proposed to drill two wells to the depth of 2600 feet to encounter the Navarro zone. Adjacent properties have producing wells drawing oil from this zone and the engineering report of V.P.Hammerle estimates a future net income of \$2,546,100 with a 7-month payout and a 7.8:1 return on investment. Mr.Graham adds, "It is our intention to initiate a 2-well drilling program as soon as possible."

GCNL #120

20-06-80

VELVET EXPLORATION CO. LTD.

82F/4W

THREE PROJECTS UNDERWAY - Velvet Exploration Co. Ltd. has sold 400,000 units at 96¢ each.

A unit is comprised of one share and two warrants. Two warrants can be exchanged for one share at \$1.00 till 2Dec80.

Velvet has at this time completed drilling of two oil wells in Wilson county, Texas, to target depth of 2,600 feet. Casing has been run in both wells and perforating and fracturing is expected to be completed by the end of June. Velvet expects a cash flow from these wells in approximately 60 days.

The company has completed posting and rehabilitation of the Velvet claims near Rossland, B.C. Arrangements have been made for living accommodation for a three man crew, also a work shed and square sets have been constructed at the eighth level portal. Ore carts and track are available which enables work on the 8th adit to start when government permits are received. It is proposed to clean out the 8th level tunnel to the raise leading to No.6 level. Then drill a target on the No.6 level which was in the process of being drilled when the mine was shut down in 1967. Drill logs and assays from 1967 show as high as 3.33 oz. gold per ton.

Discussions are also underway toward putting the San Ignacio, Mexico, properties into production. Preliminary work indicates the possibility of an open pit leaching operation.

Northern Mines 20/11/80
082F/4W; 082FSW162

Velvet is rehabilitating the old Velvet mine near Rossland, B.C., in preparation for resumption of production. The #6 level is currently being reopened and old assays from this level have shown values up to 3.33 oz. gold per ton.