

VELVET EXPLORATION CO. LTD.,

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2/6/81
JR

June 2, 1981.

NEWS RELEASE RE: VELVET MINES near Rossland, B. C.

827851

Velvet has received the assay results on the approximately Three Thousand Tons of ore bearing rock mined by previous owners. The approximate size of the pile is 100 feet x 30 feet x average 12 feet = 36,000 cubic feet divided by 12 = 3000 tons. We are preparing to ship Two Thousand Tons to a custom mill as a pilot mill run. The assay results are as follows:

	<u>Gold</u>	<u>Silver</u>	<u>Copper</u>	
#8D1	0.20	1.42	9.2%	= \$319.13 Canadian per ton
#8D2	0.12	1.36	12.4%	= \$336.10 Canadian per ton
#8D3	0.88	0.46	1.86%	= \$543.56 Canadian per ton

Estimated average gross revenue from this shipment based on today's prices of Gold \$568.00 per oz. (Canadian) - Silver \$12.57 per oz. (Canadian) - Copper \$1.02 per lb. (Canadian), covering Two Thousand Tons at 90% recovery would be \$719,280.00.

Our cost for the pilot mill run are as follows:

Contract milling	@ \$26.00 per ton (Canadian)	\$ 52,000.00
Trucking	@ \$22.00 per ton (estimate)	44,000.00
Smelter charges	@ \$10.63 per ton (estimate)	21,260.00
Contingencies		5,000.00
		<u>\$122,260.00</u>

GROSS REVENUE: \$719,280.00
COSTS AS ABOVE: 122,260.00

NET CASH RETURN Prior to taxes \$597,020.00

This program will be commenced as soon as contracts for milling and trucking are in place.

Meanwhile our mining crew have replaced rail track in the 800 haulage level and are presently retimbering where necessary. It is expected that we will be into the main ore body and commence mining in approximately 30 days.



ON BEHALF OF THE BOARD

Wm. A. Graham

Wm. A. Graham, President.

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