

VELVET EXPLORATION CO. LTD.,

Suite 401 - 543 Granville Street.,
Vancouver, B.C. V6C 1X8 685-8284

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Wed
Nov 24/81
B.A.G.

NEWS RELEASE

RECEIVED

NOV 24 1981

November 24, 1981.

VANCOUVER
STOCK EXCHANGE

RE: VELVET MINE - Rossland, B. C.

Velvet Exploration Co. Ltd. has signed a Letter of Intent with Carnelian Mines Ltd. regarding the purchase of a Two Hundred (200) ton per day mill and equipment, including buildings, etc. along with a Five (5) year lease with an option for an additional Five (5) years on the property on which the mill is located being approximately Twelve (12) miles from the portal of our Velvet Mine. It is expected that the mill could be in operation approximately 30 to 60 days after approval by Regulatory Authorities.

Velvet anticipates hauling our mineralized materials from the Velvet Mine to the mill for processing.

Meanwhile Velvet is continuing the present program of rehabilitating the various levels of the mine - installing shutes - manways, etc. with a view to commencing production as soon as possible. Also at the present time we are blasting and widening our access road from the main haulage portal #800 to the government road approximately one (1) mile to facilitate the movement of larger vehicles for the transportation of our mineralization to the mill.

Also at this time we are conducting a Geophysical Survey under the supervision of Glen E. White Geophysical Services Ltd. as recommended by our Geologist, Mr. John Rud, consisting of an EM16 and a Proton Magnetometer and Base Recorder covering a grid pattern to trace the continuity of known mineralization. Results should be available in approximately two weeks.

We have also received Mr. Rud's geological report which is very extensive and technical and in which he sums up by stating that it is apparent that the Velvet Mine area has an excellent potential to contain mineralized reserves in the 400,000 to 500,000 ton range.

The above, of course, is subject to the approval of all Regulatory Authorities.

ON BEHALF OF THE BOARD

W. A. Graham

W. A. Graham, President.

VELVET EXPLORATION CO. LTD.

NEWS RELEASE

Wm. Graham, president of Velvet Exploration Co. Ltd. (formerly Kendal Mining & Exploration Ltd.) is pleased to announce the acquisition of nine crown grants in the Trail Creek mining district from United Cardigan Developments Ltd. These claims are known as the Velvet Claims and are situated 17 km. southwest of Rossland, B.C. Purchase price is Fifty Thousand (50,000) share payable after completion of a minimum Three Thousand (3,000') feet of diamond drilling. United Cardigan also retains 5% net smelter returns on the first twenty thousand tons and thereafter 10% on balance of production.

Mr. Graham also reports a drilling contract on the Velvet Claims with Allen Diamond Drilling Co. Ltd. of Merritt, B.C. The drilling program is to be \$50,000.00 - minimum 3,000 feet, costs to be borne by Allen Diamond Drilling and upon completion Allen will earn 20% of the production of the properties. Drilling is expected to start May 15, 1978 and continue until completion. Allen is also committed to do a 20,000 ton bulk sampling of which Velvet retains 2 1/2% net smelter returns.

Upon completion of the 20,000 ton bulk sampling program the production would be divided as to 80% Velvet, 20% Allen subject only to the net smelter returns to United Cardigan.

The Velvet Claims were initially staked in 1896 and 1897 and since that time various individuals and companies have produced and shipped ore. The last ore shipped was 1965 and at the price of \$35.00/oz. gold it is felt that most of the operations were of a high grade-pocket-type nature. Mr. Allen was drilling the properties in 1967 and feels there are sufficient bodies of ore available to warrant further exploration and production particularly of Gold and Silver. Past production reported in the Minister of Mines Report from 1901 to 1965 is 135,104 tons of ore yielding 22,617 oz. Au, 27,262 oz Ag and 3,409,583 lbs. Cu.

Since the discovery of the property in 1896 until the mid-1960's a large amount of mining and development has been done on the property and there has been a considerable capital outlay indicating encouraging results, also responsible geologists in the 1950's and 1960's have all recommended continued exploration and development when gold was \$35.00 per oz. and silver at around \$1.00 per oz. Since that time, gold and silver have increased in price at least five times, which should more than compensate for increased production costs for new ore if found. Mr. J.P. Elwell, P.Eng. concurs with the above in his report on the property dated May 2, 1978.

VELVET EXPLORATION CO. LTD.

Wm. A. Graham
Wm. A. Graham, President.

May 9/78

VELVET EXPLORATION CO. LTD.,

Suite 401 - 543 Granville Street.,
Vancouver, B.C. V6C 1X8 685-8284

RECEIVED
MAY 1/81
JR

May 1, 1981.

NEWS RELEASE: RE VELVET MINES - ROSSLAND, B. C.

Further to our news release of April 15, 1981, our Geological Consultant has now submitted his report and recommendations re the rehabilitation of the VELVET MINE in Rossland B. C.

At present the service road and mine portal are being widened and retimbered and railroad tracks are being replaced where necessary in the main haulage tunnel. Actual mining of ore is expected to commence in approximately two weeks. Some excerpts from the report are as follows:

"The 705 stope presently extends over 200 feet in strike length and has vein widths exceeding 20 feet. Mapping by numerous geologists and engineers indicate the vein has not been stoped to the sixth level. Numerous profile maps and floor plans indicate the vein has a width averaging approximately ten feet. This has also been correlated by two drill holes from the sixth level. Therefore, potential ore reserves above the 705 stope to the sixth level are:

10 ft x 85 ft x 200 ft divided by 8.5 cubic feet per ton = 20,000 tons.

"The 705 stope is presently open and examination of the workings indicate ore remains in the footwall and hanging wall and development was in progress to the northeast when the mine closed in the 1960's. This is readily apparent by the two raises collared on the haulway located on the western portion of the seventh level workings. Mine maps constructed during the 1960's also indicated development was progressing in a north-east direction from the 705 stope.

"The 710 stope located approximately 180 feet southwest of the 705 stope was also being developed when the mine closed. Therefore, it is possible additional reserves will be found in this area when the development program progresses to include this mineralized area.

"Utilizing all data on the Velvet mine maps and the geological conditions at the VELVET MINE it is suggested that the mine could have a potential ore reserve exceeding 500,000 tons. It is also apparent that an extensive exploration program would have to be undertaken to locate and block out these potential reserves in the near future. At this time it is recommended that the 705 stope be developed in a northeast direction and in the area between the sixth and seventh levels. This would provide ore for the pilot mill run of 2000 tons as a bulk sample for initial flotation test to determine the beneficiation characteristics of the ore.

"A report by Henry L. Hill and Associates dated April, 1957 indicates ore from the 700 level ranged from .15 to .16 ounces gold and 1.55 to 1.8 per cent in copper. Based on the assay maps available and limited assays taken by the present mine contractor a grade in the aforementioned range would be expected from the ore mined from the 705 stope."

VELVET has allocated the sum of \$150,000.00 re this phase of the program. The work will be expedited to establish the results of the foregoing program as outlined in our Geologist's report.

ON BEHALF OF THE BOARD.

W. A. Graham
W. A. GRAHAM,
President.

JOHN O. RUD
Geological Consultant

1965 Athens Ave.
Yuma, Arizona 85364
602 - 782-9976

April 15, 1981

Mr. Bill Graham
Velvet Exploration, Ltd.
Suite 401, 543 Granville St.
Vancouver, B.C. V6X 1X8

Dear Mr. Graham:

I have completed the preliminary evaluation of the data presented on the numerous mine maps and reports on the Velvet Mine located near Rosslund, B.C. The following opinions are based on the data presented and examination of the sixth, seventh, and eighth levels of the mine. At your request I will attempt to estimate the potential tonnage available between the sixth and seventh levels that is readily accessible and economically mineable at this time.

The 705 stope presently extends over 200 feet in strike length and has vein widths exceeding 20 feet. Mapping by numerous geologists and engineers indicate the vein has not been stoped to the sixth level. Numerous profile maps and floor plans indicate the vein has a width averaging approximately ten feet. This has also been correlated by two drill holes from the sixth level. Therefore, potential ore reserves above the 705 stope to the sixth level are:

10ft x 85ft x 200ft divided by 8.5 cubic feet per ton=
20,000 tons.

The 705 stope is presently open and examination of the workings indicate ore remains in the footwall and hanging wall and development was in progress to the northeast when the mine closed in the 1960's. This is readily apparent by the two raises collared on the haulway located on the western portion of the seventh level workings. Mine maps constructed during the 1960's also indicated development was progressing in a northeast direction from the 705 stope.

The 710 stope located approximately 180 feet southwest of the 705 stope was also being developed when the mine closed. Therefore, it is possible additional reserves will

be found in this area when the development program progresses to include this mineralized area.

Additional reserves could be found in the numerous parallel veins that have been mined and mapped on the upper levels of the Velvet Mine. These veins are the Dick Rowe occurring about 60 feet east of the Velvet vein, the Bunkhouse, HW, and Staffhouse veins occurring at 160 feet, 260 feet and 380 feet east of the Velvet vein. There is a strong possibility that these parallel veins that occur on the upper levels will flatten at depth and develop excellent conditions for extensive mineralization.

Utilizing all data on the Velvet mine maps and the geological conditions at the Velvet mine it is suggested that the mine could have a potential ore reserve exceeding 500,000 tons. It is also apparent that an extensive exploration program would have to be undertaken to locate and block out these potential reserves in the near future. At this time it is recommended that the 705 stope be developed in a northeast direction and in the area between the sixth and seventh levels. This would provide ore for the bulk sample for initial flotation test to determine the beneficiation characteristics of the ore

A report by Henry L. Hill and Associates dated April, 1957 indicates ore from the 700 level ranged from .15 to .16 ounces gold and 1.55 to 1.8 per cent in copper. Based on the assay maps available and limited assays taken by the present mine contractor a grade in the aforementioned range would be expected from the ore mined from the 705 stope.

As the rehabilitation and bulk sampling program progresses, please contact me if additional assistance is required.

Very truly yours,



John O. Rud

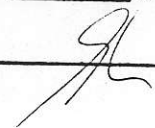
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VANCOUVER STOCK EXCHANGE

COMPLIANCE SECTION

APR 02 1981 TIME: 1:00

BY: 

April 2, 1981.

NEWS RELEASE:

RE: VELVET MINES near Rossland, B. C.

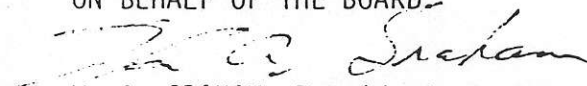
VELVET'S mining crews have completed Fifty Eight (58) drill holes underground for a total of Twenty Three Hundred (2300) feet in the Velvet Mine, mostly on the 700 foot level. This drilling probed mineralization in many of the holes indicating extension to the massive sulphides present and previously mined on the 600 foot level.

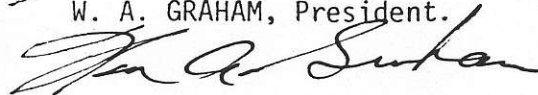
Previous owners had been responsible for underground mapping which our Geological Consultant used as a basis for determining the exploration drilling now completed. The results from the drilling as to finding the mineralized zone was as prognosed by extrapolation from the maps. Therefore the Geologist is satisfied that the maps being used are very accurate.

The drilling samples have been forwarded to the Assayers for testing, the results of which are not fully known at this time. Earlier assays however, confirmed the presence of Gold, Silver and Copper from these levels.

Studies will now be undertaken when the final results become known, to determine the next phase of Development and Financing of the Velvet Mine.

ON BEHALF OF THE BOARD.


W. A. GRAHAM, President.



VELVET EXPLORATION CO. LTD.,

Suite 401 - 545 Granville Street.,
Vancouver, B.C. V6C 1X8 685-8284

L
Chilton
30/4/80

April 30, 1980.

NEWS RELEASE TO SHAREHOLDERS:

Velvet Exploration Co. Ltd. has commenced work on the 8th level tunnel of the Velvet Claims near Rossland, B. C. 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 oz. of Gold and 0.11% copper.

Our original agreement re drilling by Allen Diamond Drilling has been extended to March 31, 1981. This agreement calls for Allen to drill 3000 feet (of which approximately 800 feet has been completed) at their expense to earn 20% of the mine production. We anticipate the actual drilling to recommence in approximately two weeks. Further progress reports and results of drilling will be announced as soon as possible.

Application has been made to the Regulatory Authorities re the vending of a 32.66 acre oil lease in Wilson County, Texas. 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 \$2,546,100.00 with a seven month payout and a 7.8:1 return on investment. It is our intention to initiate a two well drilling program at the earliest possible convenience.

The above, of course, is subject to approval of all Regulatory Authorities.

Regards,

W. A. Graham

William A. Graham:g
President

PROGRESS REPORT

V E L V E T M I N E

Rossland, B. C.

Prepared by K. F. Brunning - Manager.

The undersigned Director of Velvet Exploration Co. Ltd. visited the workings of the Velvet Mine on November 25 and 26th, 1980, accompanied by two professional Geologists, J. O. Rud of Yuma, Arizona and G. G. Krause of Calgary, Alberta. The Geologists will report on their findings by separate report as to the geology and mineralogy of the mine. However, in passing I will state that both men were impressed by the potential of a massive sulphide deposit between the Six Hundred and Eight Hundred levels of the mine.

For my part I examined the work performed to date by the contract mining crew and the results are as herein noted:

800 Foot Level - The portal entrance had been re-inforced and was in a safe condition. A draft door had been installed near the mouth of the Portal to reduce the intake of cold air. Air was circulating freely through the level and water was draining through the ditching system.

Two inch air line had been laid and coupled for approximately one thousand feet ready for future drilling.

Timbering had been completed over areas requiring same. However, some additional timber will be required before the 800 foot level can be used as a haulage.

Access via a temporary passageway had been gained to the rest of the 800 foot level so for the first time we were able to visit the locations of several chutes. These chutes were manually operated at one time and most of them contained either ore or waste. These will, of necessity, have to be emptied at a later date and refitted with air dumps to expedite future mining.

Ladders had been installed and or replaced in the 801 raise which had been designated as a man-way to the 700 foot level.

700 Foot Level - Our visit to the 700 foot level revealed that several drifts, a stope and some open grizzlies had been drilled in the past and extensive work had been done. Several pillars of ore had been left and we instructed the crew to drill a series of test holes on this level, catching all cuttings so we could determine the value of the ore through assays and the mineralogy of the sulphides through spectograph analysis. We noted that several feet of track were still in good condition and could be used if and when this level was mined in the future.

cont'd to page 2.

600 Foot Level - Access via a man-way which had been restored with new and or repaired ladders, was gained to the 600 foot level. This man-way also had a winch slide in it, used in the past to raise equipment, etc. to the 600 foot level.

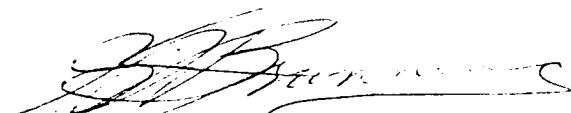
When reaching this level, we noted very extensive mining operations had been carried out and the impression of the Geologists was that below the Six Hundred and possibly through to the Eight Hundred foot level, ore should be located.

Up to the 600 foot level was the end of the work done to date by the crew.

The following work program was laid out with the mining crew as a result of this visit and should be performed in the order set out below:

1. Outside access to the 400 foot level was located for the miners by Mr. W. Graham and now should be cleaned out sufficient to provide a second exit from the workings if ever required.
2. From the 400 foot level restore and repair man-ways down to the 600 foot level to provide access and the second exit.
3. Hook-up air and water lines to the 700 foot level utilizing where possible existing old lines still useable, particularly up the raises.
4. Drilling test holes on the 700 foot level into the sulphide deposit, catching all samples. This drilling should result in a representative value of the mineralization in the ore body. These samples, once delivered to an assay office, are to be divided into two lots, one to be spectographically analyzed and the other to be assayed for Copper, Gold, Silver, Lead, Zinc and Molibdenum. This will require approximately 20 holes, six feet long to evaluate the above.
5. The upper opening of the old shaft should be closed by building a secure platform over the open end and then covering same with dirt and rock leaving only a ventilation chimney.
6. Drilling on the 800 foot level - at the face of the main drift, set up to drill a series of 100 foot holes in a fan formation to attempt to locate the ore body. This will be a minimum of eight holes, all of which must be closely supervised to watch for ore cuttings in the drilling returns.

It is believed this program will require the retaining of the present contract crew until the 20th of December. Following this program, an evaluation of the results will be required before determining the next phase. Mr. Rud and Mr. Krause are preparing an in depth historical study of the Velvet Mine which, when added to the results of this program, will enhance our chances of making the necessary decisions for the ongoing program.



K. F. BRUNNING