

Velvet

827866

6

JOHN O. RUD
Geological Consultant

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

February 10, 1981

~~Mr. Bill Graham~~
~~Velvet Exploration Ltd.~~
~~Vancouver, B.C. V6X 1X8~~

Dear Bill:

During the course of my January 27th to 31st visit to the Velvet Mine I evaluated the initial phase of the long hole drilling program being conducted by John Moritz, Mining Contractor. Holes TL 3 and 4 have intersected disseminated sulphide mineralization in a greenstone on the 8th level. Visual examination of the samples indicate sulphides range from 5 to 10% of the total contents. No assays have been completed, therefore, the gold, silver, and copper contents have not been determined. Long holes TL 5 and 6 were located on the 8th level directly below the '705' stope. These two holes will determine the extent and grade of the mineralization below the '705' stope on the 7th level.

I also examined the '705' stope which is extremely hazardous; consequently only a brief examination was completed. Massive sulphide mineralization was observed in this stope and it appears that the area has sufficient tonnage remaining in the stope to warrant rehabilitation and continuation of the development that was underway when the mine closed during the late 1960's.

Eleven long hole drill sites were marked for Mr. Moritz on the 7th level. The drill targets are situated to extend the '705' stope to the north and, therefore, block out additional tonnage and determine the grade in this area. Drill holes were spotted to confirm additional mineralization that was intersected by the underground diamond drilling completed by the previous operators and located on the Velvet Mine plans.

Mr. Bill Graham
February 10, 1981
Page 2

I am presently evaluating the Velvet Mine plans to determine areas of economic interest. Hopefully, the data from the drilling combined with mine plan data will enable decisions to be made in the near future on whether the mine has sufficient ore reserves to warrant a complete rehabilitation of the 8th level and the initiation of mining on the 7th level in the vicinity of the '705' stope.

I will be in contact with Mr. Moritz and as drilling progresses evaluate the results and advise him on any additional drilling that may be necessary to determine the economic potential of the Velvet Mine.

Very truly yours,



JOHN O. RUD

THE VELVET MINE

At the request of Mr. Bill Graham, President of Velvet Exploration Ltd., I made an examination of the Velvet Mine near Rossland, B. C. on November 25, 1980. I was accompanied by G. G. Krause, Professional Geologist; Ken Brunning, Director of Velvet Exploration Ltd.; Bill Graham, President of Velvet Exploration Ltd.; and John Moritz, Miner.

The 600 ft, 700 ft, and 800 ft levels were accessible and examined. Mineralization consisting of a massive sulphide vein of the 600 ft and 700 ft levels and disseminated sulphides on the 800 ft level was observed. The sulphides consisted of pyrrhotite, pyrite, chalcopyrite, bornite, molybdenum and secondary copper minerals of malachite and azurite.

The 600 ft level has open stopes of four to eight feet in width and approximately 200 feet in length. The massive sulphide vein appears to pinch out in the southern portion of the 600 ft workings. The northern area of the 600 ft level workings appears to be in ore and should be examined to determine value and tonnage available.

The 700 ft level has been extensively stoped in the southwest portion of the workings. Stope widths vary from four to fifteen feet. It appears the massive sulphide vein

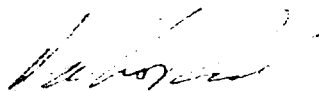
in the northern section of the 700 ft workings has not been stoped out and was in the process of development when mining ceased.

The mineralization on the 800 ft level consists of disseminated pyrite and chalcopyrite with numerous quartz-sulphide veinlets. This appears to be in the lower-most section of a typical massive sulphide deposit and may indicate the workings are in the vicinity of a massive sulphide vein.

I recommend a thorough examination of all available data on the Velvet Mine along with an extensive sampling program to determine the lead, zinc, copper, molybdenum, silver and gold values of the exposed massive sulphide vein. This would also aid in determining the value and tonnages of ore remaining on the 600 ft and 700 ft levels of the Velvet Mine. The 800 ft level should be long-hole drilled to determine the extent and grade of the disseminated sulphide mineralization and locate any massive sulphide veins in this area.

The results of the above program would also assist in developing an overall exploration program designed to block out any additional ore reserves at the Velvet Mine.

Respectfully submitted,



JOHN O. RUD

October 4, 1981

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

Dear Bill:

The following results were obtained during my field work on the Velvet Mine during August, 1981.

Sample	Au	Ag	Cu
VM 1	.16	.26	1.14
VM 2	.564	7.26	5.11
VM 3	.264	.70	6.20
VM 4	.706	1.10	1.28

Above sample were taken from the 4th level.

VM 6	.558	.34	3.77
VM 7	.176	.39	2.28

Above samples were taken from the 705 stope area.

VM 8	.036	.29	2.18
VM 9	.218	nil	1.5

Above samples taken from ore bin dump

This data will be included in my geologic report presently in its final stages. Hopefully, this report will be completed by Nov. 1, 1981.

Sincerely,



John O. Rud