

827867

Velvet

Original Filing Statement
April 20/78

This description, with
extension to Allen DD.
agreement re form
filing statement dated
June 5,
1980.

- 13 -

The consideration payable by the Issuer to Graham for the Mexican Property interest is the sum of \$5,000. (paid) plus the allotment and issue of 120,000 consolidated shares in the capital stock of the Issuer of which 25,000 have been allotted and issued to date. The remaining 95,000 shares are to be allotted and issued by the Issuer as work progresses on the property and subject to the filing by the Issuer of satisfactory engineering reports with the Vancouver Curb Exchange.

If all 120,000 shares are allotted and issued to Graham by the Issuer, they will represent 9.31% of the presently issued shares of the Issuer. Graham is a Director/Promoter of the Issuer. The Issuer proposes to proceed with leaching operations of the stockpiled and ore dump material.

[b] Velvet Property

The Issuer entered into an Agreement dated March 30, 1978 with United Cardigan Development Ltd. ("United Cardigan") of 1211 Centre Street North, Calgary, Alberta, whereby the Issuer agreed to purchase 100% interest in nine (9) Crown Granted Mineral Claims in the Nelson/Slocan Assessment District of British Columbia, known as Copper Wonder, Lot No. 3493, Princess, Lot No. 4669, Velvet, Lot No. 2521, Portland, Lot No. 2523, Last Chance, Lot No. 3027, Whoop Up, Lot No. 3324, Tootsie, Lot No. 3325, Velvet Fraction, Lot No. 5205 and Bluebell, Lot No. 5206. In consideration for the sale of the claims to the Issuer, the Issuer has allotted and issued 50,000 consolidated shares to United Cardigan which shares are being held for delivery to United Cardigan. The shares represent 3.88% of the issued shares of the Issuers and will be delivered upon completion of 3,000 feet of diamond drilling on the property which was to be concluded by September 30, 1979. Further, the Issuer has agreed to pay to United Cardigan 5% of net smelter returns on the first 20,000 tons of ore removed from the claims and thereafter, a 10% net smelter return. William Graham, Director and Promoter of the Issuer, is a Director and President of United Cardigan. Approximately 79% of the issued shares of United Cardigan are owned by Ponder Oils Ltd., of 1211 Centre Street North, Calgary, Alberta. Ponder Oils Ltd. is a public company, the issued shares of which trade on the Toronto Stock Exchange.

Pursuant to a letter from United Cardigan dated September 30, 1979 to the Issuer, the Issuer has been granted an extension until March 31, 1981 to conclude the 3,000 feet of diamond drilling on the property.

The Issuer entered into an Agreement dated April 2, 1978 with Allen Diamond Drilling Co. Ltd. ("Allen") of Merritt, B. C., with respect to diamond drilling on the Velvet Property. Under the Agreement, Allen agreed to carry out 3,000 feet of diamond drilling on the Velvet Property prior to September 30, 1979 at a cost of \$50,000.

To date, 755 feet of diamond drilling has been carried out at an approximate cost of \$36,488. Under the Agreement, Allen can earn the following interest in the Velvet Property and in consolidated shares of the Issuer:

- [i] upon the expenditure of \$20,000. an undivided 5% interest in the claims plus 10,000 shares (completed);
- [ii] upon the expenditure of another \$10,000. another 5% interest in the claims and 10,000 shares (completed);
- [iii] upon the expenditure of another \$10,000. another 5% interest in the claims and 10,000 shares;
- [iv] upon the expenditure of another \$10,000. another 5% interest in the claims and 10,000 shares.

If commercial ore is encountered through diamond drilling, Allen must perform bulk sampling at its own expense and consisting of 20,000 tons of ore. In such event, it will pay to the Issuer 7 1/2% of net smelter returns therefrom while retaining the balance (92 1/2%). Of the Issuer's 7 1/2% interest, 5% will be received for the account of United Cardigan.

Pursuant to separate letter agreements between Allen and the Issuer dated September 30, 1979 and May 3, 1980 respectively the period of time in which Allen was to conclude the 3,000 feet of diamond drilling has been extended to March 31, 1981. Further, in order to earn the 20% interest in the claims Allen must complete a total of 3,000 feet of diamond drilling on the property, regardless of cost. If the 3,000 feet of drilling is not completed in full, any interest in the property shall revert to the Issuer with Allen retaining its interest in any shares of the Issuer already earned.

The principal of Allen is Herbert Allen of P.O. Box 1397, Merritt, British Columbia. If all 40,000 shares of the Issuer are allotted and issued to Allen, they will represent 3.1% of the total issued shares of the Issuer.

The Issuer has spent approximately \$2,900. to open up the No. 8 portal this year. Allen is presently continuing with drilling operations.