

Inland Au-Ag Resources has tendered a 'letter of intent' to Velvet Exploration Co Ltd and United Cardigan Developments Ltd to option the Velvet Mine at Rossland. Under the terms of the 'letter of intent' Inland over the next five years will pay \$135,000.00 and issue 200,000 shares for 82.5% of the property with a further option to buy out 100 percent.

The Velvet mine is located 12 Km South West of Rossland and consists of nine crown granted claims. The previous owners have indicated that they have spent some \$500,000.00 over the last few years in exploration and rehabilitation of the old workings. Average grades indicated are approximately 0.5 oz gold per ton and 3% copper over stopping widths. Acquisition of this property will greatly enhance the potential of all our properties in the Rossland area.

In his report on the Velvet property dated Nov. 1981, John O Rud, discusses the mineralization and grades of the six known veins on the Velvet property, (see attached cross section of the Velvet Mine) and in conclusion states that "After an evaluation of the above data, it is apparent that the Velvet mine area has an excellent potential to contain ore reserves in the 400,000 to 500,000 ton range."

In 1981 Glen E White Geophysical Consultants and Services Ltd conducted an eleven kilometer magnetometer and VLF survey in the vicinity of the old workings with line spacing every 60 metres and stations every 30 metres. This survey delineated a number of prime exploration targets on the trending strike and beyond the existing Velvet workings. These geophysical surveys should be expanded using a closer line and station spacing.

Inland is in the process of negotiating a joint venture agreement with Kerr Addison Mines where by Kerr Addison will earn a 60% interest in the Velvet property and Inland will earn a 40% interest in the Triumph claim just to the north of the Velvet mine. This eight unit claim was recently located by Kerr Addison over geology (~~strong~~) similar to that found on the Velvet property and on strike with the Velvet veins

Inland also is in the process of negotiating a joint venture agreement with Kerr Addison Mines on the Rosslund Property where by Kerr Addison will earn a 60% interest. Kerr Addison have spent THREE months this past summer evaluating the potential of the Rosslund Property and have conducted detailed exploration over some of the better target areas.

IN PARTICULAR, THE TIGRE AND ARR ("COMMANDER" VEIN) HAVE SHOWN PROMISING RESULTS. GRAB SAMPLES OF MASSIVE PYRRHOTITE-CHALCOPYRITE-PYRITE VEIN MATERIAL ON THE "COMMANDER" VEIN ASSAYED UP TO .3 OZ/T AU.

A STRIPPING, DRILLING, AND GEOCHEMISTRY PROGRAM WAS CONDUCTED ON THE OLD STAMINGS AT THE TIGRE CLAIM. AN EAST-WEST TRENDS ZONE, FROM .25 TO 2.0M IN WIDTH, HAS BEEN EXPOSED FOR 50 M ALONG STRIKE. THE ZONE CONSISTS OF QUARTZ-CHALCOPYRITE-MAGNETITE-ARSENOPYRITE VEINING AS WELL AS MASSIVE MAGNETITE IN A HOST OF HYDRATED METAVOLCANICS. THE ZONE WAS SAMPLED EVERY 2M ALONG STRIKE. GOLD VALUES RANGED FROM SUB-ECONOMIC TO .45 OZ/T OVER 2 M AND GRAB VALUES UP TO .6 OZ/T. A SOIL GEOCHEMISTRY SURVEY ADJACENT TO THE MINERALIZED ZONE SHOWED A COINCIDENT CU-AU-AS ANOMALY EXTENDING SOME 400M ALONG STRIKE. A GRAB SAMPLE 200M WEST OF THE MINERALIZED ZONE ASSAYED .4 OZ/T AU.

THE TIGRE CLAIM REPRESENTS AN EXCELLENT EXPLORATION TARGET IN THE SOUTH 30' CLAIMS.

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