

LEGENDARY KOKOWEEF CAVERNS INC.

CORPORATE OFFICES

3452 E. FOOTHILL BOULEVARD, SUITE 110
PASADENA, CALIFORNIA 91107

UNAUDITED BALANCE SHEET

December 31, 1974

CURRENT ASSETS:

Cash on hand and in bank	\$	49	
Accounts receivable		<u>50</u>	
Total Current Assets			\$ 99

FIXED ASSETS: (Note 1)

Machinery and equipment	\$	32,916	
Furniture and fixtures		2,877	
Land improvements		825	
Automotive equipment		<u>6,332</u>	
	\$	42,950	
Less accumulated depreciation		<u>14,439</u>	28,511

OTHER ASSETS:

Lease acquisition costs (Note 2)	\$ 33,210		
less amortization	2,629	30,581	
Organization expenses, less amortization of \$1,369		<u>437</u>	31,018
			<u>\$ 59,628</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:

Accounts payable	\$	2,480	
Accrued expenses		22,498	
Loans payable to directors		5,700	
Notes payable (to stockholders and others)		<u>215,704</u>	
Total Current Liabilities			\$ 246,382

STOCKHOLDERS' EQUITY (DEFICIT):(Note 3)

Common stock - \$2 par value - authorized 1,000,000 shares - issued and outstanding, 104,336 (Note 4)		208,672	
Retained earnings (deficit)		<u>(395,426)</u>	(186,754)
			<u>\$ 59,628</u>

See notes to financial statements

LEGENDARY KOKOWEEF CAVERNS INC.

UNAUDITED STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

For the Year Ended December 31, 1974

REVENUE:

Rock sales	\$ 7,109	
Less Sales Tax	<u>56</u>	
		\$ 7,053
Rental income (furniture)		450
Interest income		<u>15</u>
		\$ 7,518

EXPENSES:

	Expenses Incurred Prior to Feb 3, 74	Expenses Incurred after Feb 4, 74	Total Expenses
Directors Salaries	\$ 750	\$	\$ 750
Rent			5,746
Legal	2,361	675	3,036
Accounting		105	105
Consultant Fees	552	650	1,202
Shareholder's Meeting	628		628
Director's Expenses	575		575
Office Supplies & Ex.	423	41	464
Telephone	647	215	862
Materials & Supplies	949	124	1,073
Repairs & Maintenance	250	182	432
Auto & Truck Expense	577	400	977
Equipment Rental		900	900
Exploration Ex. (Note 5)	4,093	1,092	5,185
Gas (mine only)			1,671
Food (mine only)			2,323
Camp Expenses	928	3,875	4,803
Amortization of Lease Cost (Note 2)			664
Taxes & Licences	576	517	1,093
Depreciation (Note 1)			7,512
Interest			15,100
Insurance			464
Miscellaneous			<u>26</u>

Net (loss) for the year

55,591
\$ (48,073)

Retained Earnings (Deficit) January 1, 1974 \$(344,692)

Under-accrual of Prior Year's Operations (2,661)

Adjusted Retained Earnings (Deficit) - January 1, 1974 (347,353)

Retained Earnings (Deficit) - December 31, 1974 \$(395,426)

Net (loss) per share of common stock

\$ (.46)

Net (loss) for 1973 was (1.85) per share

LEGENDARY KOKOWEEF CAVERNS INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

December 31, 1974

Note 1:

Fixed asset values are shown at cost and are depreciated on the straight-line method over the useful lives as determined by management as follows:

	<u>Range</u>
Machinery and equipment	3 to 10 years
Furniture and fixtures	3 to 10 years
Land improvements	10 years
Automotive equipment	3 years

Note 2:

Acquisition of the lease of the mining operation was made by settlement of claims of investors in the previous mine operators. Management feels no additional claims exist. These acquisition costs are being amortized on a straight-line method over the 50 year life of the lease at \$644 per year until the year 2021.

Note 3:

Operating losses sustained by the Company have resulted in a deficit of stockholders' equity of \$186,754 at December 31, 1974. Continued operation is dependent upon future profit-making ability and obtaining additional financing as required. Management feels that success of the current venture will result in significant profits. Failure of this venture may result in material adjustments to the carrying value of assets.

Note 4:

The Company has two classes of common stock, 250,000 shares of Class A Voting, of which 104,336 shares are issued and outstanding and 750,000 shares of Class B Non-Voting, of which none are issued or outstanding. Last year figure of 102,651 shares of Class A Voting stock was adjusted to correct bookkeeping error. This correction has resulted in an adjustment to retained earnings (deficit) in prior years.

Note 5:

The Company expenses exploration costs as incurred.