

MAY 1986

Dear Investors,

We've got quite a tale to tell this time. As you know, with the aid of an accurate survey, the shot in November 1985 found breathing caverns, and we left a muckpile at the face of our exploratory drift. The last day of November's shot, we set off green smoke grenades and the caverns sucked all the smoke away. Why is this smoke important? We'll get to that in a moment.

An important change at our operations is the fact that we got MSHA to inspect us. MSHA is the Mine Safety and Health Administration; it's like OSHA. They have jurisdiction over any mine in the USA, so we got in touch with them to become completely legal. That's important because they have the authority to slam the gate shut on our mine if we are in violation of their codes. Now MSHA can't shut us down. We are legal. We have our paper work squared away. Thanks to Frank Williams who straightened out our electricals, to our investors who provided the materials to meet compliance, and to the workers who suffered through the MSHA safety training.

Now, what about that smoke?

Making footage is no problem anymore. Two rounds a day (12 feet) was common this shot. Our improved equipment hung together, and our crew showed their stuff. Them boys shined. If those Europeans ever get serious about putting those tunnels under the English Channel, I know the people who can do it. Ged, Kim and I are spoiled by the assistance we get from our investor-workers. Oh yeah, about that smoke.

First, I must tell you about the drift we drove.

When we mucked out November's last muckpile, we discovered an open vertical crack, about 18 inches to 24 inches wide that went at a right angle to the left about 18 feet in. It showed almost no cave formations, but it breathed and Kim went into it. There wasn't much to see, so we drifted forward along Schnarrd's fault two more rounds. Boy, did we find a void. There was an oval shaped tube leading upward. The dimensions were approximately 5 feet by 3 feet and the tube went up about 20 feet where it branched off to impassable holes and cracks. As we were mucking out that blast, Hilary White uncovered the lower extension of that tube and the hole we encountered became known as Hilary's Hole. And what a hole! Hilary crawled down beside a 6 foot long glistening white stalagmite to look down a 50 foot deep cavernous tube encrusted with popcorn, crystals, stalagmites, and all manner of beautiful cave creations. Hilary said it looked like an elevator shaft (I wish he'd found an elevator button marked "River"). We got a rope and tied Kim to it and sent him down. Kim was awestruck by the indescribable beauty of our find. The stuff we found in November wasn't much compared to this.

There were stalagmites that rang like chimes when they were struck. There were needle-sharp crystals and delicate frosted formations, organ pipes and variegated flowstone. And there was green popcorn. Green popcorn? Green CAVE popcorn? Aha! The smoke, Pard! This is where the green smoke went. The smoke stained the formations that were in the air flow a ghastly green. Kim reported that the tube went down 50 feet to bottom out in a little bowl. Ralph Lewis showed up about then, and we shipped him down our elevator shaft to have a look. Now, Ralph is probably the most experienced spelunker in our group. And

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he's got a nose for caverns like a bloodhound does for coons. He got to the bottom bowl and started snooping around and found a little bitty hole that, when he opened her up to crawl through, led to another tube that led down at about a 45 degree angle big enough to walk upright through for about 100 feet! WOW! That narrowed down to a small crawl space. Through the crawl space, the tube led down to an area too small to get through. The upper part of that 45 degree tube is a deep, dark red and the lower portion is almost completely encrusted with white cauliflower popcorn.

And these caverns were breathing the greatest flow of air yet encountered.

What did we do? We had a breathing cave that was going down, that showed where the smoke went, and that had every possibility of continuing down with a little effort. Anybody in their right mind would have followed that hole. We boarded it shut and drove tunnel right over the top of it. Before you start wallowing in despair, let me tell you why.

Number one: although we believed that this tube went to the River of Gold, we were fairly sure that it wasn't Dorr's passageway. Number two: the further we drifted along Schnarrd's fault, the bigger the openings we encountered so, maybe, an easier, larger passage lay ahead. Number three: we were all set up to drive drift, so we decided to take advantage of that to explore what lay ahead.

The next few rounds presented us with no new caverns. Schnarrd's fault closed up tight to a one inch vein of flowstone. We drilled probe holes ahead and found a void 30 feet ahead. This void dropped the steel in 3 feet, but flowing cigarette smoke in the hole showed no air movement.

So now we had three areas of possibilities. First was Hilary's Hole going down. Second was straight ahead to the void we probed (were there more and larger voids ahead?). Third was up through the caverns above our drift because, if Dorr went through Schnarrd's Hole, then his passageway lay ahead or above us. We chose to go down Hilary's Hole. It goes in the direction we want to go: DOWN!

Down is where the River of Gold is supposed to be. And the River is where the gold is. And gold is where the money is. (Larry, did you see how slick I got around to money?)

Yes, we do need money. We need more diesel fuel. We need some specialized tools to explore Hilary's Hole. Also, we want to do another survey. An extensive survey would let us make better educated guesses for exploration and would save some valuable time one we hit that River because then we will have to survey for claims. And all of this, of course, takes some bucks.

Your generous investments have led us to that breathing elevator shaft. Some more money might just find that button marked "River of Gold."

One last note. Thanks to you investors who showed up to have a look. Your interest and support are a real boost. And a special thank you to the people who show up to put in long hours working with us miners. Our investor-workers are the greatest!

Thanks for your support.

Jim Hanhardt  
Vice President Mining Operations  
Professional Mining Consultant

JH/vmb

Yes, Jim, I certainly did like the way you got around to our financial needs. And your report, as usual, was fascinating. But we do need some money right away to continue this exploration that looks even more promising than last time.

We are getting closer to our goal with every shot we make at Kokoweef.

This letter is necessitated so soon primarily because so many of you, our investors, have not kept up-to-date with your investment promise. Many of you have, and it's because of your continued support and faith in our Kokoweef adventure that we can continue our progress.

For those of you who have not kept up-to-date, if you want to remain a viable part of this enterprise, you must send in your \$25 per month investment, per our original understanding, or your stock subscription will decay to 0.

As Jim said in his letter, we are ready to head DOWN, hopefully to the River of Gold. Everything looks very promising this time. That's why Jim and his crew are willing to stay on in May. They have some time off from their mining jobs in Idaho and decided that this was the perfect opportunity to continue their dig for the next 10 days or more -- depending upon what they find and our finances.

In order to continue our operations at the mine, we do need approximately \$5,000 within the next few days. This money will purchase:

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| 1. A small, 15 pound Roto-rock hammar with steel                    | \$1,000.00 |
| 2. Food for at least 10 days to feed 10-14 men<br>three meals a day | 1,000.00   |
| 3. Diesel fuel and gas  | 1,000.00   |
| 4. Electric caps  | 600.00     |
| 5. Oil, grease and miscellaneous supplies and<br>equipment          | 1,000.00   |

All of our other expenses are up-to-date thanks to the continued support of most of you, our investors.

Remember, we are all in this venture together. When we find the River of Gold, we all profit. But we need to invest the capital first so we can continue down this successful road together. So, if you can give more, it will be put to good use and appreciated; if you haven't maintained your investment, now is the best time to play catch-up.

Thank you,

Larry Hahn  
President

