EXPLORATION INCORPORATED

OF NEVADA (702) 649-6819

JUNE 1986

2908 E. LAKE MEAD BLVD. NO. LAS VEGAS, NV 89080

WE'RE STAYING AS LONG AS WE'RE FINANCIALLY ABLE TO THIS TIME BECAUSE WE FEEL THAT WE ARE CLOSE TO OUR GOAL OF FINDING THAT LEGENDARY RIVER OF GOLD!

That's right. We've narrowed our search area down dramatically with the survey and our efforts in the continuation of Schnard's Tunnel. Since Jim and Kim are both between jobs, we can't pass up this golden opportunity to use their expertise and enthusiasm. Therefore beginning June 14, we will continue our work throughout the summer or as long as we are financially able to do so.

Obviously, it takes money and a fair amount of it, too. In trying to be conservative, I found that I have underestimated our costs by 25-50 percent in the past. So many of our expenses are just one time, but they are necessary. We are careful, but as hard as we work and as many hours a day as our crew puts in, it is easy to use up a bunch of supplies. In trying to develop a more realistic, on-line assessment of the actual costs, I figure that we will need at least \$10,000 plus this summer to continue our progress:

3,500 gallons of diesel fuel at 60¢ per gallon	\$2,100.00
25 cases or more of 140 power max at \$65 per case	1,625.00
350 plus non-electric caps at \$2.25 per cap	787.50
Food for an average of 5 people or more for 60 days	
or more at \$50 per day	3,000.00
Oil, grease, steel drill bits, miscellaneous expenses	2,500.00

We have arranged for living quarters at camp in Marty Fleetwing's cabin for Jim and family. From June 14 on, anyone planning to come to camp to help out should first call my store at (702) 649-6819 so I can coordinate work schedules. Hopefully, we don't want to end up with 10 workers on one day and none the next.

I know we are pressing you financially, but everything does indicate that we are so close to the right passageway that we can't stop now. So please, help us out as much as you can during this extended period. If we hit it, it's to your advantage; afterall, you are our mainstay — the valued investors who have made all of this possible.

If some of our old time investors who were with the previous Kokoweef Caverns Inc. company have any questions on how your old investment can be absorbed into our new Explorations Incorporated company please call me for clarification on your financial situation with us. Briefly, those with the old company must invest a minimum of \$300 or more a year (that's just \$25 a month) to have the face value of your previous investment in Kokoweef Caverns Inc. honored by Explorations Incorporated. You must show us proof of your monetary investment in Kokoweef Caverns, Inc. This does not include any interest nor work credits you garnered under the old company; we strictly honor the dollar-for-dollar amount of your previous investment. Please call me if you have any questions.

And please read over Big Jim's super report. It's very detailed and informative, but like he says, we're so close now that we must go on regardless of the cost. That's why he's willing to stay all summer if need be, as long as the financing is there to support the venture.

Thanks to all of you for your super support!

Larry Hahn President



Dear Investors,

Explorations Incorporated has lived up to its name. We have explored a lot of mountain in the last two months. Since the last letter, we have driven 105 feet of drift, we've explored Hilary's Hole further and, of course, we've broken drill steel, repaired equipment, surveyed the mine, raised some blisters and caused some rumors. We've been busy. Altogether, we've driven 150 feet of drift since the middle of April. That's a heap of rock!

I want to introduce you to one of our investor-workers. Jim Serrill has been helping us since the June 85 shot. He's a desk-jockey from San Francisco. That's one of them guys that sits at a desk all day, opens mail, fills out forms and sends out mail. I know because I've seen them on TV. Well, Jim came up in June not knowing a thing about mining, but wanting to help. Everything we asked him to do, he did. He could handle it. Now he's our powder monkey, train operator, hoist man, driller's helper (he don't like it, but he does it) and nipper. He sticks with it. He's so dependable that we can take him for granted. So here's to you, Jimmy, ya bum!

We got a map. Doup New is an underground surveyor from Idaho. Doug and I spent four days surveying the tunnels and caverns on the map. We didn't get to all of the tunnels, just the stuff that related to our area of interest. The Crystal Rooms were the toughest to survey. We couldn't use the tripod most of the time and one shot had to be taken by Doug bending over upside-down, looking between his legs. Three days after the survey was done, we had a map. The map showed us just how deceptive those passages can be. At least for myself, the map on paper didn't match the map in my mind.

So what's on this map? There are three views of our project on it. The largest part is the big "Y" or top view. This is the way it looks if you are above it looking down. The stem of the "Y" is the entrance tunnel (survey points V-1, V-2, V-3). The water tank is in the hole by V-2. V-3 is where you start up the ladder raise to get to the upper caverns. And RT-1 is where the Radar Tunnel takes off to the left and goes to the Wormuth Winze. The Radar Tunnel and Wormuth Winze are not shown.

V-4 is where the Dogleg takes off to the right. Between V-4 and V-5 is Clark's Hole off to the right. Clark's Hole wasn't surveyed and it's approximate location is marked as a reference point. A small winze takes off at V-5 and goes down to the right at 30 degree angle. At V-6 we got a shot of the 45 degree fault as it cuts through the lower tunnels.

Now we'll come back to V-3 and go up the ladder raise. The ladder raise is drawn with dashed lines to indicate it is on a different level than the lower track drifts. We can go up the raise past LR-1 and LR-2 to TP-1. TP-1 is on the little flat place at top end of the raise ladder and TP-3 is up the two short ladders that stand underneath the Meat Grinder. (You should have seen Doug's face when he saw the Meat Grinder!) TP-3 is on the level of the upper cavern tunnels. And where is TP-2? There ain't one. We didn't have anywhere to put in points through the area between TP-1 and TP-3 and no place to set the instrument so Doug used a surveyor's trick called "coplaning." Anyway, TP-3 put us in the upper caverns. From there, we surveyed thorugh the tunnels over to the 45 degree fault (points VC-1, VC-2, VC-3 and the points on the Fault). Then we surveyed VC-4 and VC-5 to the Vertical Fault by the entrance to the Crystal Rooms.

The Vertical Fault has a number with it: 5642.59. That number is the elevation assuming that the elevation of the dump outside is 5,500. So you can see that the tunnel at the Crystal Room entrance is 142 feet above the track level of the lower tunnels.

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Next, we surveyed the Crystal Rooms. Doug said it was the most challenging survey he had ever done. You investors that have been in the Crystal Rooms can understand the problems they present to a survey. But we got it!

Then we went to TP-1 and tuned in on the survey that was done in September 1985 in order to get Schnard's Hole on the map.

Now let's proceed to the active part of the mine. At V-2, the newest drift takes off to the right. The hole that's off to the left from H-1 to H-2 is where the receiver tank is placed and is the place where the present company started mining. The Flowstone Fault by H-3 is where we drifted to in June 1985 and the Vertical Fault between H-4 and H-6 we reached at the end of the November 1985 shot. By the end of the April 1986 shot, we had found and explored Hilary's Hole and drove the drift to the point that says Face 4-29-36. Then in the month of May, we did some drilling, chipping and blasting in Hilary's Hole and drove the last 105 feet of drift which appears as a line on the map. Coming back to H-6, you can see Hilary's Hole going down and at the base of the Hole is a dashed line that approximates the continuation of the Hole (we didn't survey that lower section) and you can also see the hole that goes up above the track level.

The diagram on the left side of the map is a view of the area if you had your back to the end of the tunnel and were looking through the rock. This view shows the relationship of Hilary's, Schnard's, the Crystal Rooms, and the tunnel. We are almost certain that Hilary's Hole is on Schard's Fault and we're pretty sure the Crystal Rooms are, too, although the Fault appears folded in the area of the Crystal Rooms. The diagram at the top of the map is a view looking from the side of Schard's Fault and it shows how the caverns relate to one another.

There is other important information on our map: The faults (my wife says I had a few when we got married, but she claims she's fixed most of them). As you probably know, faults are cracks in the rock formed as the rock moved past itself or as the rock split apart. Geologists are interested in faults because they define the boundaries of blocks of ground and they show the movement that occured in years past. The major faults we are interested in are on the map.

The Flowstone Fault (at H-3) was discovered in June 1985. If you follow the line of that fault to the south, you can see where it intersects the drift at V-3 to RT-1 and V-3 to V-4 and up in the ladder raise at IR-1. (It appears to the right at IR-1 because the fault lays over at a 60 degree dip and IR-1 is above track level.) How do we know it's the same fault? Besides having the same bearing and angle of dip, it has the same characteristics Where we find this fault crossing the three drifts and the raise, it has the same thickness, type of flowstone, coloration and the same breccia surrounding it. The map shows it in a straight line so it was the most recent fault in that area. Why? A more recent fault would have displaced the Flowstone Fault, and it would no longer be a straight line. What's the big excitement about this straight line Flowstone Fault? All the major caverns yet found were on the west side of the Flowstone Fault so when we put this fault on the September 1985 map, we knew that crossing it would put us in the cavern area, which it did.

The next fault of interest is the Vertical Fault near VC-5 in the upper caverns and H-6 to H-4 in the lower tunnel. The continuity of this fault gives us a better idea of how the upper caverns and lower caverns relate and the 18 inch wide non-cavernous hole appears along this fault.

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The 45 degree fault at V-6 is important because part of the story says that Dorr followed a cavern system to a 45 degree cavernous fault that led to the canyon. At the end of our drift, you can see where we projected the intersection of Schnard's Fault and the 45 degree fault. As you can see, Schnard's did not follow it's projection, and neither did the 45 degree fault. We drifted Schnard's Fault as the map shows and did not encounter the 45 degree fault. There is doubt that the 45 degree fault extends that far north to intersect Schnard's.

Now I must throw in one more piece of information that Ralph Lewis came up with. Some of you old timers may remember this. When Ralph first became involved with the caverns, he and another fellow were digging out a hole under the Meat Grinder to the west of Schnard's Hole. The Meat Grinder is under Dorr's name. He reports they had gone down about 30 feet and then abandoned it for more promising interests elsewhere. Ralph also said it was a natural hole with cave formations and large enough to climb down into comfortably. The corner where that hole took off from is now stacked full of boulders that were too big to go down the ore pass. That hole is also near or on two intersecting vertical faults, according to Ralph.

You may be wondering why we aren't continuing on Hillary's Hole. When we did leave it, we had a 9 inch breathing crack that swallowed every bit of muck we blasted down it, but we didn't have enough bodies to run it safely or efficiently. And we're still sort of hung up on finding Dorr's original passage, which isn't in Hilary's Hole. We learned about exploring small holes, though, and gathered up some equipment for that kind of job in the future.

And we've decided not to extend the Schnard's fault drift further at this time either. We are as far as we can go without moving the slusher up and laying more track. Plus we think we've got a better idea.

Now don't ever think that all the exploration that's gone on is a failure because there's been no gold yet. All the work that has been done has opened up the rock so we can look at it, examine the faults, and make some determinations based on its structure. That's exploration! And each explored area eliminates one more place to look.

You can see by the map then that the major caverns seem to lie between the V-1 to V-6 drift and the outside of the mountain, and to the west of the Flowstone Fault. It looks to me like we got 'em surrounded, pard! Now we're going to move in for the kill.

With the information from the map and that tidbit from Ralph, our next project is to drive a raise up the cavernous hole above Hilary's Hole. Not only will that give us a fresh air link with Schnard's Hole, but we'll have a platform to explore the region between the lower tunnels and the upper caverns. We know Schnard's Fault and the 45 degree fault produce caverns and the Vertical Fault and Clark's Fault produce open cracks. We want to see how that hole of Ralph's fits into the whole scheme. There's a lot of rock in that area and a lot of chance for more caverns.

No slick way to get around to money this time, Larry. To continue, we need money. We've gotten pretty efficient at turning money into tunnels. Our cost per foot keeps going down. But it takes the bucks to make the holes. We miners know that along with your money comes your prayers for our safety and your hopes for our success.

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Mining is a tough job. And I've never seen it tougher than on Kokoweef. But like Dick Renel says, if it was easy, somebody else would be spending the gold.

Sincerely,

James B. Hanhardt Vice President Mining Operations Professional Mining Consultant

VMB



Getting nowhere fast?



THEN DO WHAT JIM SERRILL DID GET OUT OF YOUR RUT AND DIG INTO LIVING -- COME ON DOWN TO KOKOWEEF THIS SUMMER AND SEE WHAT YOUR INVESTMENT IS ACCOMPLISHING.



and april restable