

September 1986

Dear Investors,

What a summer! What an adventure! What a tough old /*!!# mountain!

We shut the mine (Kokoweef) in July because we were short on funds and the weeks of 12 hour days took their toll on us. So what have we accomplished? Since you last heard from us, we have driven over 110 feet of raise and 200 feet of drift. We've repaired drill machines, built more trestle, and got inspected (and passed!) by MSHA. We even spent a couple of days looking for and finding caverns over in the Mescals, the range of mountains between us and Mountain Pass.

Driving raise is hard labor. Everything used in a raise must be carried up into it on unstable ladders and then brought back out before the blast. A staging platform must be erected to drill each round, and then torn down for the blast, barring down the loose rock after a blast becomes a little tense. There is little room to get out of harms way; there is no place to dance around and dodge boulders. Exploration Inc. is fortunate in having Kim Hanna to do this kind of work.

We found some open crevices on our way up and eventually reached a fissure blowing cool air from the upper caverns. This fissure is part of the Schnarr's Hole system. The fresh air greatly improved our smoke-out situation. We have 30 feet more raise to drive to break into the upper caverns.

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Hercodyne is the dynamite we used in the raise. This was the first time Kim or I had ever used this type of dynamite. Hercodyne out-performed the Powermax 140 we had been using, but the fumes were more of a problem. Because it breaks so well, I believe its a better blasting agent for our hard dolemite.

We drove over 200 feet of drift along the Vertical Fault to the south of Schnarr's Fault. This is the start of our venture into the block of ground between Schnarr's Fault and the original tunnel.

One of the more exciting things we accomplished was sending a TV camera down into Hilary's Hole. As you may remember, Hilary's Hole pinched off to a breathing 9 inch hole that extended into the darkness. Exploration Inc. rigged a camera inside a bomb casing with its own light source. With this we explored 30 feet further into the unknown. It worked quite well and Larry (Hahn) captured the whole show on video tape so it can be repeated and re-evaluated at will. The hole is a popcorn-encrusted tube about 9 inches in diameter. It slants off 30 feet down and, with our limited control, we couldn't get the camera to follow it. But now we have the equipment to explore small fissures should the opportunity arise again.

Jim Serril is one lucky guy. The company pick-up truck blew a brake line coming off of Kokoweef on the steep road and Jim steered her up on the bank to a teetering three-point landing. One wheel was in the air, folks! Kim was following in his truck and said the Dukes of Hazzard couldn't have done it better. Jim got out and gave the darn thing a kick. That'll teach 'em. Fifteen bucks worth of parts fixed her right up, though. I wish drill machines could be fixed so cheaply.

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One of our GD83 rock drills broke a hammer (Part No. IS83F9). Now, partner, you can't break just an IS83F9 by itself because when it goes, it takes a lot of important stuff with it. The boys at F & H Mine Supply start grinning and warming up their cash registers when they hear about an IS83F9 breaking and ripping the guts out of a drill. So we bought some Parts (capital P as in ExPen\$ive) and did the surgery; now she's as good as new.

As stated earlier, our MSHA inspector came up in July to look us over. The inspector gave us no violations and wished us well. Those fellas want us to find the River, too.

The last day on the mountain was a hair-raiser. We were finishing putting the equipment in the mine for storage when a desert thunderstorm boiled up and began using Kokoweef Peak for a grounding rod. Jim Serril was in the trailer, Kim and I were just inside the portal, and the lightning was hitting in-between. The lightning knocked out our generator, knocked boulders loose onto our portal timber and sent sparks shooting up the rails into the tunnel. Twice it struck directly in front of the entrance where Kim and I could see it and hear the electric sizzle. We were more than impressed. There's something about that mountain, Pard. There's something

In the two short years that Exploration Inc. has been in business, you investors have supported a mining exploration project for an active period of five months total. That's quite a feat, all considered. It's taken a lot of money, but because of our volunteer labor and the time spent behind-the-scenes (Larry Hahn and gang in Surplus Store, shop, investors building track on the weekends, people donating supplies, MSHA paperwork, explosives permit paperwork, mining claims paperwork, etc.), we've pulled it off cheaper than any regular mining company could have accomplished. And now we've got an organization that functions well. We have three miners so we aren't limited to scheduling around just one. We have several investors experienced in helping the miners and we've acquired some useful equipment. But maybe the most important of all is the fact that we've made friendships with some mighty good people.

So where do we go from here?

We've got several projects in mind, the first of which is to get our money built back up. You folks were real champs this summer coming up with the money to keep us going. And it paid off doing a three month shot from one set-up. We couldn't have done it without you. We are assembling a high pressure water jet system to cut rock and cave formations. We want to do some research on other interesting leads pertaining to the River of Gold. There is a well drilling project we are looking at in the saddle between Dorr Peak and Kokoweef. And, of course, we'll complete the raise to the upper caverns and explore the block of ground that the Vertical Fault leads into.

Thank you for your support. You know, when we hit the River of Gold, its not going to be because Kim is a great miner or because Larry's a good organizer or because I'm a heck of a handsome guy. It's going to be because you investors made it possible. Your support, your faithful continuing support, makes it possible to do what we have to do to get to that River of Gold.

Sincerely,

Jim Hanhardt
Vice President Mining Operations
Professional Mining Consultant