

NOVEMBER 1986

Dear Investors,

More than 50 people attended our general meeting including several of you, your family members and other interested parties. Many questions were answered and everyone present seemed pleased with our results so far.

Big Jim [Hanhardt] reviewed our progress to date and gave an overview of the cost-effectiveness of our drilling projects this past year. He pointed out that we've now eliminated most of the possibilities on the top horizontal plane, and it's now time to begin drilling vertically, downward toward the heart of the mountain.

Due to our discovery this past summer of fresh air escaping from Hillary's Hole, we know we are too high on Kokoweef and need to get deeper into the mountain, as we've already discussed. We also feel we've localized the passageway; therefore, to continue tunneling and doing exploratory dynamiting at this stage would no longer be cost effective. So we've obtained a small well-drilling rig which drills 3 1/2 inch holes to a depth of 200-300 feet.

Investor Norm Greenwood has volunteered to head up our drilling project. He's a professional driller and with his expertise [and our continued supply train from our Las Vegas headquarters], we should be able to begin this next phase by December. Unlike the tunneling phase of our operation, which was done twice a year in a two-week concentrated effort because of financial restraints, the drilling phase will be on-going, probably on the weekends, and will utilize a small crew who, once inside the tunnel, will not have to leave it again for the entire weekend; therefore, even the weather shouldn't be a problem this winter.

Norm will be assisted by two helpers and our own normal flow of volunteers who are always available wherever we need them.

By drilling, we'll be cutting out the costs of explosives, food and shelter to house a large crew and all of those other miscellaneous expenses incurred with tunneling.

Though we have several key sites to choose from to begin our drilling operation, we've selected what we believe to be the most logical site based on its location, geologic formations and confirmations by several long-time investors: near Clarke's Hole and the Orr Bin.

Once the hole has broken into another breathing passageway or cavern, we'll lower our 2x2x4 inch closed circuit TV camera and lights down into the hole and record our discovery. Afterwards, we'll study the video without having to go to the expense of tunneling into every hole we drill or find fresh air coming in and out of. Only after thoroughly studying the video and only if all of those involved concur that this might be the correct passageway to lead us to our goal, will we then call in our tunneling experts Jim Hanhardt, Kim Hanna and Jeb Miner so they can set-up a tunneling time schedule. And only then will we invest the time, manpower, equipment, supplies,

food and money needed to successfully accomplish our [hopefully] final phase of tunneling down to the River of Gold.

A secondary project we'll be working on along with the drilling project is to complete a high pressure water pump capable of putting out a jet stream of water from 5,000 to 10,000 PSI. This will back up our drilling operation and can also be done on the weekends with a minimal crew and expense. We're already 90 percent complete on this project.

This water jet is vital because it will permit us to sculp away the rock without having the mess and expense that dynamiting leaves behind. By using our water jet, we'll save money along with the manpower and hours it takes to set-up and clean-up this type of operation. Even more important, we won't have the hazards involved whenever working with explosives of any type!

We're happy to report that we've begun to once again build-up our financial reserves so we can start these projects. We do have to bring our rent up-to-date to the tune of \$3,000 because our landlords have permitted us to delay paying our rent for months.

We don't owe anyone else any money except you, our valued investors. Yu've all been great about putting in your yearly investment. This arrangement was ideal the past couple of years when we were tunneling only twice a year. However, now we're proposing an on-going drilling project. In order to continue our drilling at least two weekends a month starting in December, we'll need more money. If you can continue to send in a little extra each month or two, we can continue with the drilling operation throughout the Winter and Spring.

This will be our last newsletter in 1986. We'll update you on our drilling progress in January 1987.

So to all of you we wish

Larry Hahn

LH/vmb

