

Cusac: The Big Payoff Around the Corner

CUSAC INDUSTRIES LTD.

NASDAQ:CUSIF
TSE/VSE:CQC

Current Price (4/26/95): \$1.25
52-Week Range: High: \$1.62
Low: \$0.56
Shares Outstanding: 14.2 Million
Market Capitalization:
+/- \$17.8 Million
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Bull & Bear Rating:



Cusac Industries Ltd. (NASDAQ: CUSIF; TSE/VSE: CQC) is like a five-time Super Bowl champion. They've already ordered the champagne and it's on ice, but they are still going out to play the Big Game with everything they've got. I'd like to say that Cusac still has a game to play, but they really don't. They've already won, but the final score hasn't yet been announced.

The company's joint venture with Cyprus Amax (NYSE: CYM), on the properties which are held respectively by Cusac and International Taurus (VSE: ITU), which Cyprus is operating has all the earmarks of producing a world-class mine. Cusac's CEO, Guilford Brett deserves it. So do the patient shareholders of this junior gold

producer, who have stood by the company and Mr. Brett.

Of course, that won't stop Mr. Brett from being pleasantly vague about the property's potential or its prospects. Who is he kidding? He has spent the past 35 years walking every step of that property several times over. He knew there was gold there all along. Now, the rest of the world will find out about it. Otherwise, why is Cyprus Amax on a fast track to wrap up exploration on the Taurus/Cusac properties?

It hasn't been easy. Last autumn, I was shocked as were many others to read in *The Northern Miner* that Cusac's mine had shut down. The reporter had been grossly negligent — it was the MILL, not the mine that had been shut. The mill was going through a maintenance program and re-opened in mid-April. That's just part of the Cusac story.

In late autumn/early winter, short selling drove Cusac's shares down to a fraction of where they are now. As the Cyprus Amax joint venture looked good, shorts ran for cover. The stock has since strongly recovered and is higher than when we first wrote about Cusac. As CYM prepares to announce the results of its recent exploration efforts, we were going to press. However, shares in both Cusac and International Taurus were strongly rising, indicating another strong share appreciation may be expected in the near future.

How many companies can boast they may soon be participating in the development of a One Billion Ton Ore Body — with the potential of up to 50 million ounces of gold? That deserves a few exclamation points and several rounds of applause for Cusac and ITU.

Guilford Brett, though, isn't taking anything for granted. He's a high grade gold prospector and an eloquent curmudgeon, reminiscent of 60 Minutes' Andy Rooney. He is also a student of his property. With that in mind, I tend to believe Mr. Brett when he remarks that Cusac's Michelle High Grade Zone may be a fairly significant system. Listening to him describe it is contagious.

This is important to note as it may play an important role in the upcoming negotiations with Cyprus Amax. You see, I believe CYM will attempt to takeover Cusac (as well as ITU) as their exploration program progresses. One can capitalize CYM's preliminary subjective opinion of the initial drilling: "Very Pleasing!" As a major gold mining company, trading on the New York Stock Exchange, CYM can swallow Cusac in one gulp.

I think Mr. Brett's strategy is to ensure that his shareholders get the very best deal.

Which brings us back to the Michelle High Grade Zone. It is a cluster of high grade gold veins. In an interview I conducted with Mr. Brett in his Vancouver office last August, he grinned as he spoke, "This is one of the richest drill sites we have ever had."

How rich? One drill hole had 12 feet of 10

ounces of gold per ton! Guilford Brett probably spends his nights on his knees praying that the 8 to 10 foot width runs up to 400 feet. If so, it will add a substantial price to the final one CYM will pay to acquire all of Cusac's shares.

What are the downsides to currently investing in Cusac? Only two: (a) Gold will plummet to below \$375/ounce and stay low, and (b) Cyprus Amax will go broke or lose interest in the property. Neither seem likely. We gave Cusac a Four Bull rating in *Hot Stocks Review*, Autumn 1994. The rating stays. There is no reason for Cusac to trade for less than C\$2.00 or \$1.40 (US) as gold holds above \$390/ounce and CYM continues their exploration effort. Like I said, the game is over. We know who won, but no one knows the final score yet. Looks like a landslide to me—*George Chelekis* ■

Stock chart provided courtesy of The Investing Edge

