

NORTH AMERICAN GOLD MINING STOCKS

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JUNIOR GOLD STOCKS & SPECIAL SITUATIONS

May 6, 1988

CANADIAN-UNITED MINERALS INC.



Traded: Vancouver (CUN.V)
Hotline Recommendation 4/18/88: 81¢
Price 4/29/88: 74¢
1987 Price Range: \$1.36 High, 48¢ Low
Shares Outstanding: 6,853,477 (fully diluted)
Institutional Holdings: 3,000,000
Quality Rating: "B"

At its current share price, Canadian United Minerals appears to be a super bargain. Its B.C. Dome Mountain property contains an estimated 570,000 tons of ore grading 0.44 oz. gold and 2.6 oz. silver per ton. Feasibility studies are nearly complete, and it has entered into agreement with a highly competent Canadian firm to put the property into production, perhaps later this year. In

addition to Dome Mountain, Canadian United holds a 100% interest in another B.C. property known as the Fireweed property where the potential exists to establish a world class poly-metallic production facility.

Dome Mountain Smithers, B.C.

The Dome Mountain property is host to at least one large gold and silver orebody but work done to date suggests additional high-grade orebodies may be discovered. Based on the current reserves of 570,000 tons of 0.47 oz. gold, and 2.6 oz. silver/ton, the current in-ground value of the delineated deposit alone stands in excess of \$100 million. What gives us comfort in Canadian United's ownership in this property is its agreement with Total Erickson Resources whereby Total can earn up to a 50% interest. Total Erickson has proven to be very capable of producing efficiently from similar orebodies in the rather un hospitable Northern B.C. environment. Thus, we believe it is highly likely that pending the completion of a positive feasibility report, Dome Mountain will become at least a moderately sized gold mine.

Canadian United's interest in Dome Mountain will range between 18.5% and 37.5% depending on whether or not a third joint-venture partner, Teeshin Resources remains involved in the project. Assuming the lesser interest, the company is projecting per-share earnings of between C30¢-C37¢ (U.S.\$0.24-\$0.30) with gold and silver prices at \$450 and \$6.50, respectively, and production set at 350 tons/day over a full year. Assuming 570,000 tons of ore is all that is discovered at their project, a mine life of 4 1/2 years would result. However, as noted earlier, it appears likely that additional ore will be discovered at Dome Mountain.

Fireweed Northern B.C.

Given the dimensions of the known anomalies and preliminary indications of the mineral values they may carry, the company believes the property has the potential to yield ore measuring in the tens of millions of tons at Fireweed.

In January, the company launched an extensive exploration program on the Fireweed property. The program entails geophysical surveys as well as diamond drilling on this silver and base-metal discovery.

Initial drilling targets, which were located in a strong, well-defined magnetic anomaly measured 75 meters by 200 meters. This zone lies within a much broader, highly conductive IP anomaly of up to 250 meters wide and 800 meters long. (As of April 14, 1988, the company's current work program has provided some very encouraging results.)

Two zones of significant sulfide concentrations have been outlined to date. Eleven drill holes in the West Zone all returned sulfide intersections. The best hole, FW-8, intersected three closely spaced mineralized horizons, of which a 13.56 meter interval averaged 1.22% lead and 1.94% zinc. The middle interval of 4.65 meters averaged 1.58% lead and 3.85% zinc. The lower interval proved to be the richest, averaging 1.0% lead, 2.11% zinc, and 18.89 oz./ton silver, over four meters, with assays up to 26.17 oz./ton silver. There have been some significant gold values discovered in recent drill holes, such as a 45-meter section, ranging between 0.02 oz. gold and 0.20 oz./ton gold.

While the profit potential of the Firewood property is largely unknown to date, the size of the project could be huge, judging from IP results. Subsequent drilling results suggest the project could be highly profitable given mineral grades, width of structure, and nearness to surface. Firewood is an ace property that could make Canadian United's current price look like a steal!

Financial Condition

In December of 1987, the company completed a private placement with Sandhurst Mining N.L. Through this private placement, Sandhurst agreed to purchase 325,000 units at a price of \$1.60 per unit.

Each unit consists of one common share and one warrant to purchase an additional share at a price of C\$2.10. Total contribution to the treasury upon exercise of the warrants will be C\$1,202,500.

In addition, Canadian United successfully negotiated a private placement of 500,000 flow through shares at a price of \$2.10 per share with private investors. The aggregate of these two placements will supply approximately C\$2.25 million to the company treasury.

Management

Leif Ostenoe, Chairman of the Board, has over 30 years experience in exploration management and possesses a solid record of mine-finding and the development of major orebodies.

Robert Holland, Exploration Manager, has over 10 years of industry experience as a consulting and project geologist with various companies.

Michael Callahan, B.M.A., President, is responsible for overall management of the company's operations. Callahan has also had over 10 years of resource company experience.

Richard Tinsley, Board of Directors, is Managing Director of Sandhurst and will shortly become Chairman of the Board of Canadian United. Tinsley has worked as a mining engineer/minerals economist for 21 years with experience in mineral industry finance, analysis, exploration, and operations in Europe, Australia, and North America.

SUMMARY

At under U.S.\$1.00, we believe Canadian United represents a good purchase. Even if the company's interest in Dome Mountain eventually decreases to 18.5% and even if no more than the current 570,000 tons of ore reserves are delineated, projected earnings of 25¢/year for 4 1/2 years or \$1.13/share are a reasonable expectation. A 10% discounted present value would place the value of those earnings at 79¢ or just 2¢ less than our hotline recommendation price of 81¢ on 4/18/88. That seems like a super bargain to us because even without earnings from Dome Mountain, a share price of 50¢ to \$1.00 could be justified, given the Firewood's potential alone.

We believe the company's management is good and that the agreement with Total

Erickson, an accomplished underground producer, should ensure a successful outcome at Dome. Our only reservation about joint-venturing with Total Erickson and some other Canadian majors is that they often try to take advantage of their junior partners. Even though Cusac Industries had what they believed was an ironclad agreement with Total at the Cassiar mine, that small junior has had to "fight" for everything in their agreement. This has resulted in Cusac needing to spend valuable management time to ensure collection of what was rightfully theirs.

With this minor proviso, however, we believe Dome will provide sufficient cash flow to Canadian United to assist it in developing what may propel it into the ranks of a major mining company. At its current price, we strongly recommend purchase of Canadian United. As always, sell 1/2 when the stock doubles, in this case to \$1.62 to recoup your initial investment.

For additional information, contact the company at 325-1130 West Pender Street, Vancouver, B.C. V6E 4A4, tel.: (604) 689-3308.