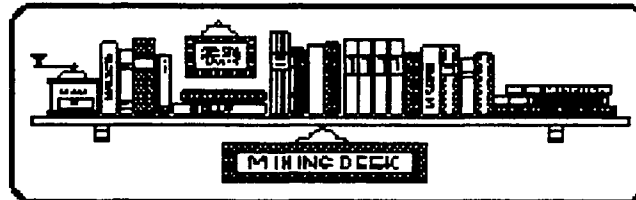


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INVESTMENT GROUP  
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## THE MINING DESK



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*YOU SHOULD KNOW ABOUT:*

## CUSAC INDUSTRIES LIMITED *A GOLD PRODUCTION COMPANY*

**INTRODUCTION.** We have pointed out over and over again, that without question, the main element of any successful company is management. If you invest in a junior company, seriously invest that is, and have high expectations for success, select only companies with management that is experienced, persistent and patient. A candidate is Cusac Industries Ltd.

\* \* \*

**BACKGROUND.** "There's *gold* in them thar hills!" Every school kid has heard that famous phrase. It was born in the 1850's when gold was discovered in California. If the gold seekers knew then about the geology that we know now, they would have agreed, "only a blind man could have missed finding the gold."

The reason, they will tell you, is that the western regions of the North and South American continents are where two of the earth's huge surface masses, called tectonic plates, that form the earth's outer surface, come together. The Pacific plate meets the continental plates. This immense, earth-shattering, collision causes the earthquakes we experience in the west. It raises the mountains we love to look at, but it also creates the faults (tension cracks) in the earth's surface which, in earlier ages, permitted molten rock from the earth's core, to rise to the surface. That flowing rock carried the valuable minerals we search for and use today the world over.

Locating those minerals is the job of modern geological prospectors. Understanding how rock strata have been moved about, where faults exist, or have existed in the past, and tracing the movement of the usable minerals from their source to their present location, is the puzzle solved by those prospectors.

Now that they have a good handle on how it all works, geologists go to those places in North, Central and South America, where tectonic activity has pushed up and displaced land masses, and at the same time faulted the surface and subsurface. Precious minerals are to be found there. In recorded (and previously unrecorded) history, thousands upon thousands of prospectors and potential miners have made a career of searching for them.

One major region of the geological activity we've talked of, is near the west coast of Canada in northern British Columbia, not far from the Yukon border. Here at Table Mountain, Cusac Industries Limited has been searching for many years, and is now finally mining, gold.

Prospectors have been searching and finding gold in the Table Mountain area for over a hundred years. In 1978, Cusac Industries went into the area, and since then, through claim staking, purchases, crown grants, and option agreements, has gained control of approximately 96.5 square miles covering the Sylvester Greenstone Belt. Greenstone belts normally host numerous pockets of gold mineralization. At the present time, Cusac Industries is the largest landholder at Table Mountain.

In the 1980s, Erickson Gold Mines had discovered and was mining gold at Table Mountain near Cusac's properties. Cusac Industries granted Erickson an option to work on its (Cusac's) adjacent discoveries. While Erickson was operating their mine, and exploring for more reserves, they were bought by the French company, Total Petroleum. In 1988 however, Total Petroleum changed its mind and the Erickson Gold Mine was closed. It was completely shut down in 1990. The price of gold having resumed its downward trend, Total was apparently just not that interested in the business of mining gold any more, in spite of the fact that the Erickson Mine was shaping up to become a significant gold producer.

During its time of ownership, Erickson Gold Mines, (whose name, incidentally, had been changed to Energold), discovered several additional gold-bearing veins, but nothing was done about them. In 1993, Cusac Industries Ltd bought all the Energold properties, the veins it had previously optioned, the 300 ton per day mill, all the mining equipment, and of course, the benefit of the millions of dollars worth of exploration and development work that had already been invested! The mill alone was appraised at a \$15 million replacement cost. Cusac Industries Ltd. had landed a bargain for \$1,210,000 in cash and shares!

In the spring of 1994, with financing through a European bank, the mill was put back into service and Cusac Industries began producing gold. By the end of 1994, it had produced over 14,000 troy ounces and earned revenues of C\$7,760,000 (approx. US\$5.5 million) which amounted to C16¢/share (US 12¢) on the 13,194,237 shares outstanding. Gold production is expected to double in 1995.

\* \* \*

**The Property.** Large as it is, Cusac Industries does not control the entire Table Mountain area. Another company has a relatively smaller piece which intrudes into the northern portion of Cusac's holdings. That company, in partnership with Cyprus Canada (a Division of Amax Gold Inc.), has discovered what they believe to be a **ONE BILLION TON** ore body which may contain as much as **FIFTY MILLION OUNCES OF GOLD!** This is an extraordinary deposit. A Cyprus source said it is the "largest gold deposit he's ever seen." Naturally, they are drilling it aggressively and aiming for production in the near future. As quickly as economic viability can be established, mining operations will begin. 1998 is the target date.

Cusac Industries' Table Mountain property almost entirely surrounds the recent discovery. Because there are indications mineralization could extend onto Cusac's property, it was a logical step for Cusac Industries to enter a joint venture agreement with Cyprus Amax to have them investigate the adjacent Cusac lands. In this agreement Cyprus can earn a 50% interest by first, spending \$2,000,000 for exploration and/or development over the next three years, including a minimum of \$350,000 the first year, and second, making a series of annual payments totaling \$320,000. The agreement further allows Cyprus to earn an additional 20% interest by paying all the costs of putting the property into production, should a significant discovery be made.

Noteworthy about this area is, that it has been known since 1874 primarily for placer and lode (underground) deposits. The world's largest gold nugget, weighing 73 ounces, came from here. This recent discovery though, presents the possibility of large area open pit operations, a considerably less expensive mining technique.

The ground presently being mined by Cusac is in the south, outside the joint venture area. There are 40 known veins of which only 15 have undergone extensive testing. In their recent report to the S.E.C., it was noted that only 20±% of Cusac's property had been explored through December 31, 1993. Cusac's main effort during 1994 has been to mine the known veins.

\* \* \*

**THE MANAGEMENT.** Cusac Industries' Founder, President and Director is Guilford H. Brett (63), a mining veteran with thirty years' experience.

W. Earl Essery (69), is Secretary, Treasurer & CFO since 1981, and a Director since 1980.

Vice President of Operations, Project Manager and a Director is Martin L. Sadd (47).

Luard Joseph Manning (67), a consulting mining engineer, is a Director.

Chief Geologist for the company is Matthew C.N. Ball (36). Mr. Ball, formerly Chief Geologist for Energold ('87-'93), is preparing a doctoral thesis on Table Mountain geology.

\* \* \*

**THE FINANCES.** Financial reports for the latest quarterly period reported (ending 9/30/94) show the Current Asset/Liability Ratio at that time to be 1.09:1.

Production revenues for 1994 were reported at yearend as C\$7,759,900. Net Income was C\$ 2,148,600 or C16¢ (US 12¢) per share. Milling was begun on April 21, 1994, and suspended for the winter after the first week of December.

An issue of Convertible Preferred Series "A" shares was floated in January, 1995. The first dividend, for the period ending March 31, 1995, was announced March 16, 1995, payable on April 20, 1995 to shareholders of record March 31st.

The convertible preferred shares are traded on NASDAQ with the symbol CUSPF. The annual dividend is 1/400th troy ounce of gold (a certificate is issued to be honored by the company), or the U.S. dollar equivalent of the gold, at a shareholder's option. As the gold price rises, the dividend could become quite generous.

The Warrants which were issued with the preferred shares are also publicly traded on NASDAQ. The symbol is CUSWF. They are good for five years and exercisable at US \$1.07 per share. Speculative investors will find these appealing. The price of the shares is not unreasonably far from the strike price of the warrants.

\* \* \*

**CONCLUSIONS AND RECOMMENDATIONS.** We began this report by observing that the most important element in any small company's success is its management. Therefore we commend Cusac's management for having stayed with it through the many disappointments and setbacks we have seen them experience over the years. Could this be an example of the old saying, "All good things come to him who waits"? Whether or not that is the case, we believe more challenges lie ahead.

Vaulting to the rank of producer, even though modest, is a very important accomplishment at this time. With gold prices appearing to be readying for a multi-year rise, those companies actually producing, such as this one, will be able to build their treasuries, reach out for more reserves, and eventually achieve the financial strength every miner dreams of.

We have no hesitation recommending these shares for investors who wish to participate in what we believe will be the future huge increase in the price of gold. Readers can contact the company at 510-700 West Pender St., Vancouver, B.C. V6C 1G8. Phone (604) 682-2421, or Fax (604) 682-7576. They may also contact The Mining Desk for information and price quotes at the address or phones on page 1 of this report.

Spring, 1995.

LES REID, The Mining Desk.

*Cusac Industries Limited is a Canadian Mining Company whose shares trade on the Toronto (CQC.T) and Vancouver (CQC.V) Stock Exchanges and the U.S. NASDAQ trading system (CUSIF). There are 13,194,237 shares issued (fully diluted). In addition, upon completion of the preferred issue, there are 175,000 preferred shares each convertible to one share of common, and 1,225,000 warrants convertible at US\$1.07/share. The information in this report has been taken from data provided by the company. While it is felt to be reliable, it cannot be guaranteed. The opinions and recommendations expressed herein are solely those of the author. Westamerica INVESTMENT GROUP is not responsible for those opinions or recommendations.*