



CUSAC INDUSTRIES LTD.

Symbols: VSE - CQC
NASDAQ - CUSIF

Presidents Report

August 19, 1987

CUSAC'S Total Net Earnings From Cassiar Now \$2,430,644.

Cusac has enjoyed a very active and profitable first half in 1987, showing net earnings of \$741,813 from its interest in the Cassiar property (operated by Erickson Gold Mining Corp.). This revenue combined with the revenue generated in 1986, has resulted in total net earnings for Cusac from this highly profitable source of \$2,430,644.

While the first six months earnings clearly reflect the profit potential of this mine, Cusac anticipates an improvement in tonnage and grade in the second half of 1987. An extensive diamond drill and exploration program throughout the property should establish new gold bearing structures

CUSAC – Actively Participating in Mining Development Projects

In keeping with Cusac's philosophy of "grass roots" exploration and development as being the key to success, we are participating in a number of projects this season, by way of acquisition with cash or shares of other companies. A careful direction of funds over diversified and select precious metals projects has ensured the healthy and continuous growth of the company.

AT A GLANCE

AREA	COMMODITY	% OWNED	% OWNED BY
Toodoggone Gold Camp	gold/silver	25%	Duke Minerals Ltd. (75%)
Yakataga Beach Placer	gold	20%	Alaskagold Mines Inc. (80%)
New Mexico, Nevada	gold/silver	20%	Gold Hawk
Arizona and Mexico	platinum		Syndicate (80%)

TOODOGGONE RIVER GOLD CAMP

British Columbia, Canada

Duke Minerals Ltd. 75% participating, Cusac Industries Ltd. 25% participating — JOINT VENTURE

Further, Cusac purchased 200,000 "flow through" shares of Duke Minerals Ltd., at 50¢ per share. Current market \$1.10. These shares qualify for CEE tax credits and have created a tax advantage for Cusac.

The Toodoggone area of north central British Columbia has undergone intensive gold exploration activity in recent years, resulting in a major mine decision being made by **Cheni Gold Mines Inc.** A 6.5 million dollar access road to this new mine is nearing completion, which is located ten miles south of the Cusac-Duke property. This road will greatly enhance the viability of exploration in the region. Duke (managers of the project) plans a diamond drill program which will commence next week. The drilling will test a strong Induced Polarization and Geochemical anomaly on the property. This property adjoins **Energex Minerals Ltd.** on the south and covers approximately 3,600 acres. Energex has recently reported reserves of 265,000 tons of open pit material averaging .25 oz. gold per ton. Recent drilling by Energex has encountered new high grade gold mineralization from the Ghost Zone, which has prompted an additional 10,000 feet of diamond drilling to be planned.

YAKATAGA BEACH PLACER
Alaska, U.S.A.

Owned by Alaskagold Mines Inc. — (shares trading on VSE 80¢ to 90¢ Cdn.) Managing Director — G.H. Brett

Cusac owns 750,000 shares of Alaskagold Mines Inc. or approximately 20%.

Alaskagold has completed the construction and installation of a 500 yard per day placer plant, which is operating at Cape Yakataga, Alaska. Dr. W.D. Groves, P.Eng., presently visited the operation and has reported that the Reichert Spirals and ancillary equipment are producing an excellent concentrate with good recovery.

The 1987 program was designed to mine and test the beach berm over a large area and run at least 500 yards per day for a continuous three month period. During this time we will compile an accurate data base in order to determine the ultimate size and economic viability of the project. This property represents one of the worlds most unique placer deposits and requires careful and continuous monitoring of the recovered and contained gold values. The company hopes to complete this phase of the project by November, 1987.

NEW MEXICO, NEVADA
Arizona and Mexico

Gold Hawk Syndicate — Cusac Industries Ltd. (20% participating)

Cusac organized this prospecting syndicate in the fall of 1986, for the purpose of prospecting, staking or acquiring gold, silver and other precious metals properties.

To date, four promising properties have been acquired for the syndicate, by staking or option, in New Mexico, Nevada, Arizona and Mexico. These projects are at varying stages of development and a full report will be made available in the near future.

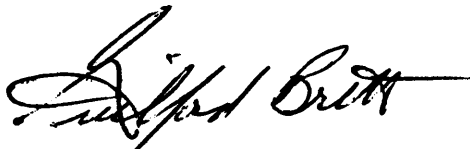
Cusac has purchased 300,000 shares of a privately owned corporation at 30¢ per share. A public offering is planned for the primary distribution of the shares at \$1.00 per share, on the Vancouver Stock Exchange, in October 1987. This transaction is subject to the approval of the B.C. Securities Commission and the Vancouver Stock Exchange.

CORPORATE GROWTH

Cusac has finalized and submitted a listing application to the Toronto Stock Exchange. It is anticipated that the shares of the company will be trading on the TSE in October 1987.

The management of Cusac is ready to face the challenge of participating in those successful mine development projects which will ensure our long term success.

On behalf of the Board



President

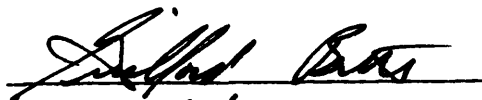
CUSAC INDUSTRIES LTD.

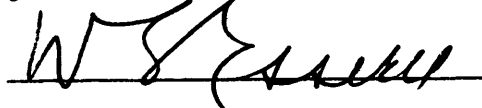
Statement of Changes in Financial Position

(Prepared by Management, without Audit)

	Six month period ended	
	June 30, 1987	June 30, 1986
Cash Provided (Used) by:		
Operating Activities		
Operations		
Net income (loss) for period	\$ 349,914	\$ (224,086)
Items not involving cash		
Deferred taxes	158,471	—
Amortization of deferred costs	150,000	172,128
Depreciation	<u>15,000</u>	<u>1,725</u>
	673,365	(50,233)
Changes in non-cash working capital balances		
Net profits interest receivable	1,309,286	—
Accounts payable	<u>(54,800)</u>	<u>—</u>
Cash provided (used) by operations	<u>1,927,851</u>	<u>(50,233)</u>
Financing Activities		
Issue of common shares	18,060	50,000
Reduction of long-term debt	(14,993)	(9,246)
Loans from (to) shareholders, repayment	<u>(15,000)</u>	<u>—</u>
	<u>(11,933)</u>	<u>40,754</u>
Investing Activities		
Investment in Duke Minerals	(100,000)	—
Investment in Alaskagold Mines	(7,500)	(12,750)
Reduction in agreement receivable	11,376	11,376
Expenditures on resource properties	(13,396)	(11,401)
Acquisition of resource properties	(27,200)	—
Purchase of fixed assets	<u>(18,688)</u>	<u>—</u>
	<u>(155,408)</u>	<u>(12,775)</u>
Increase (Decrease) in Cash	1,760,510	(22,254)
Cash, beginning of period	<u>94,963</u>	<u>67,386</u>
Cash, end of period	<u>\$1,855,473</u>	<u>\$ 45,132</u>

APPROVED:

 Director

 Director

CUSAC INDUSTRIES LTD.

Statement of Income and Deficit

(Prepared by Management, without Audit)

	Six month period ended	
	June 30, 1987	June 30, 1986
Income		
Erickson net profits allocation	\$ 741,813	\$ —
Interest	<u>3,556</u>	<u>—</u>
	745,369	—
Expenses, Administration	<u>72,004</u>	<u>50,233</u>
Income (Loss) before undernoted items	<u>673,365</u>	<u>(50,233)</u>
Depreciation	15,000	1,725
Amortization of deferred costs	150,000	172,128
Income taxes deferred	<u>158,451</u>	<u>—</u>
Net income (loss) for period	349,914	(224,086)
Deficit, beginning of period	<u>1,208,965</u>	<u>1,990,264</u>
Deficit, end of period	<u>\$ 859,051</u>	<u>\$2,214,350</u>



CUSAC INDUSTRIES LTD.

October 1, 1987

VSE Symbol - CQC
NASDAQ Symbol - CUSIF

NEWS RELEASE

Profits Rise in '87

Cusac Industries Ltd. is pleased to report substantial profits for the first two months of the 3rd quarter from the Company's interest in the Cusac/Erickson gold mine near Cassiar, B.C. Cusac calculates net profits to the Company of \$1.6 million from gold produced during July and August, 1987. These figures are calculated on mill recoveries and are subject to reconciliation.

Cusac also reports an upward adjustment of approximately \$400,000 to the Company's net earnings statement for the six month period ending June 30, 1987. The increase, due to gold inventories not reflected in the January to June six monthly statement, brings net earnings for the period to \$1,141,813.

Cusac's estimated net earnings for the first eight months of 1987 to August 30, 1987 are \$2,741,813 for a total of \$4,430,644 from the mine which began operating in July, 1986. The above figures are based on information and reports provided by Erickson to Cusac.

CUSAC INDUSTRIES LTD.

Per:

Guilford H. Brett
President

The Vancouver Stock Exchange has neither approved or disapproved the contents herein.