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George Cross News Letter

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\$315.00 PER YEAR

NO. 90 (1994)
MAY 11, 1994

MAY 13 1994

E. M. P. R.

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CUSAC INDUSTRIES LTD.

[CQZ-V,T; CUSIF-NASDAQ] 12,833,237 SHS.

GOLD PRODUCTION NOW IS 150 OZ. EVERY DAY SEVEN DAYS A WEEK FROM THE BAIN VEIN ON THE 100%-OWNED TABLE MTN. UNDERGROUND MINE OF CUSAC INDUSTRIES AT CASSIAR, B.C.

With cash operating cost of about \$150 per oz. the mine is producing a daily operating profit of \$50,000, forecast to be \$1,530,000 per month or \$18,360,000 per year. With a total crew and staff of 25, wages run \$150,000 per month in the mine plus about \$70,000 in the mill for a total of \$225,000 per month. Operations are on a two 12-hour shifts basis with the men working four weeks in camp then two weeks out.

This phase of production at the mine started with the driving of a 700-foot decline to 175 feet below surface in October 1993. The decline entered the vein in January 1994 and ore mining started in March. When milling started in mid-April there was some 20,000 tons of ore grading 0.68 oz. gold per ton on a stockpile at the decline portal. Since the start of milling, the plant has processed an average of 280 tons per day with the plant available 95% of the time. Historically, the gravity circuit of vibratory tables and jigs, and flotation concentrator mill has operated at 380 to 400 tons per day, depending upon the hardness and availability of the ore. Management at the mine and mill are confident the plant can comfortably process ore at that rate again when ore is available from expanded mining operations. Ore production has continued at 300 tons per day with very little of the ore drawn from the stockpile. Preliminary indications are operating costs are CDN \$150 per oz. of gold recovered. With a gold price of US \$380, CDN \$494, the operating profit is running about CDN \$344 per oz. or CDN \$51,400 per day, about \$1,500,000 per month. The property crew of 25 people will increase by about six during the surface exploration program scheduled to start in the next few weeks. Gold recovery has been in the 90% range for the first month, increasing in the last week to about 93% since a second gravity jig has been in operation. The gravity, jig, and table recovery is between 45% and 55% of the gold with the objective to recover in excess of 60% of the gold by gravity as the operation is modified and stabilized after the tune up period. It is expected a further increase in recovery to the 95% to 96% range on a continuing basis will be achieved in the near future as further milling refinements are completed. Currently, there are some 20 tons of flotation concentrates grading about 4 oz. gold/ton, valued at \$500,000, on the property ready for shipment to the smelter.

Cusac optioned a 100% interest in the 118 sq. mile property in March 1992, from Energold Minerals Inc. for \$1,200,000, settled by the issue of 2,043,799 Cusac shares. The mine development, equipment, roads, camp and milling plant are estimated to have a replacement cost in current dollars in excess of \$15,000,000.

Gold production between 1979 and 1988 from the property was 226,000 oz. recovered from 572,000 tons grading 0.42 oz. gold/ton, including 70,000 tons of 0.779 oz. per ton from the Eillen vein to recover 55,000 oz. gold and a profit of \$15,000,000.

To fund the mine to production, a Swiss investor in Sept. 1993 loaned Cusac US \$2,000,000 secured by a 8% debenture with a bonus of warrants to buy 1,300,000 shares of Cusac at CDN 96¢ each until Sept. 17, 1995

After Cusac has spent \$2,500,000 on mine development and

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\$60,000 on mill rehabilitation, mining is now underway from the first stopes in the Western Bain vein and the western extension of the West Bain vein. The average grade from 82 chip samples taken in this stope assayed 1.808 oz. gold/ton over an average true vein thickness of 4.0 feet over a strike length of 176 feet. Over a 5-foot width the average was 1.237 oz. gold/ton. This shoot contained abundant visible gold. Raise samples for a 27-foot distance averaged 1.736 oz. gold/ton across a 3.9-foot average vein width. As this is underway development is continuing to the west on the western extension of the West Bain vein, on the eastern continuation of the Bain vein as well as down plunge, and or rake of the vein. The geological staff feel confident the workings are close to a bonanza-type blowout along the vein, similar in style to the bonanza ore shoots mined in earlier areas of the mine. "Results are encouraging but we have to wait and see what develops along strike and to depth." CONTINUED ON PAGE TWO

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CONTINUED FROM PAGE ONE - Current reserves in the West Bain vein are 35,000 tons grading 1.00 oz. gold/ton. The new extension has added a further 10,000 tons grading in excess of 1.00 oz. gold per ton. Prior to the start of mining, the forecast was the mining of 35,000 tons grading 0.68 oz. gold/ton, from the Bain vein could generate a gross profit of \$6,900,000 and a net profit of \$4,300,000. Since that time, the experience has been the grade has been slightly higher than forecast, the recovery has been slightly higher than forecast, the gold price has been slightly higher than forecast and operating costs are slightly lower than forecast; therefore, the profits could be more than slightly higher than forecast. Other mine reserves include:

East Bain vein 24,000 tons of 0.5 oz. gold/t;
Bonanza vein 5,000 tons of 0.5 oz. gold/t;
Michelle vein 25,000 tons of 1.00 oz. gold/t
Including 11 feet grading 3.0 oz. gold/t;
Three surface pits contain 10,000 tons grading 0.3 oz. gold/t.

A total of about 80,000 tons.

One of the priority exploration targets is the Michelle high grade vein which when drilled in 1987/88 yielded: 10-foot core assaying 12 oz. gold/t; 6 ft of 3.7 oz. gold/t and 7 ft of 1.3 oz. gold/t assays. To explore this target the previous operator drove 5,000 feet of incline crosscut from the No.10 portal at 3,600 feet elevation. The face of this crosscut is about 2,500 feet from the drill hole intersections in the Michelle vein. The No.10 portal drained the Eillen vein workings which had experienced heavy water flows. The plan is, subject to successful cash flow from operations in the next few months, to start in August to advance Eillen vein workings some 700 feet to the Michelle and develop the vein for mining. This program is estimated to cost some \$1,200,000. The crosscut should be advance about 15 feet per day to reach the target in October.

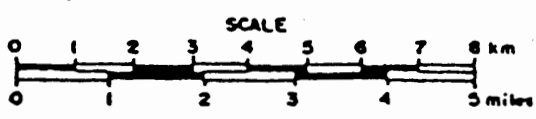
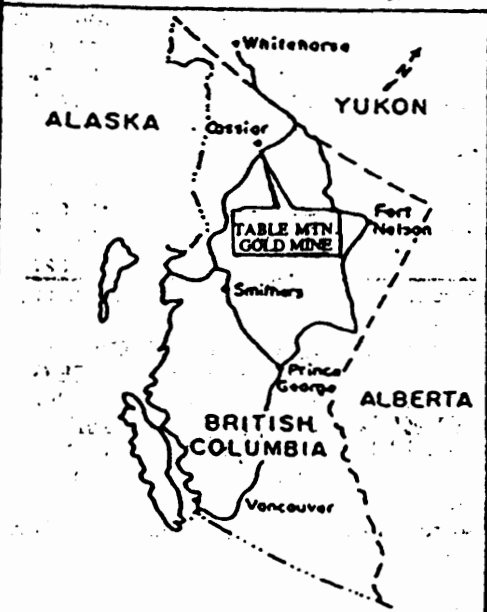
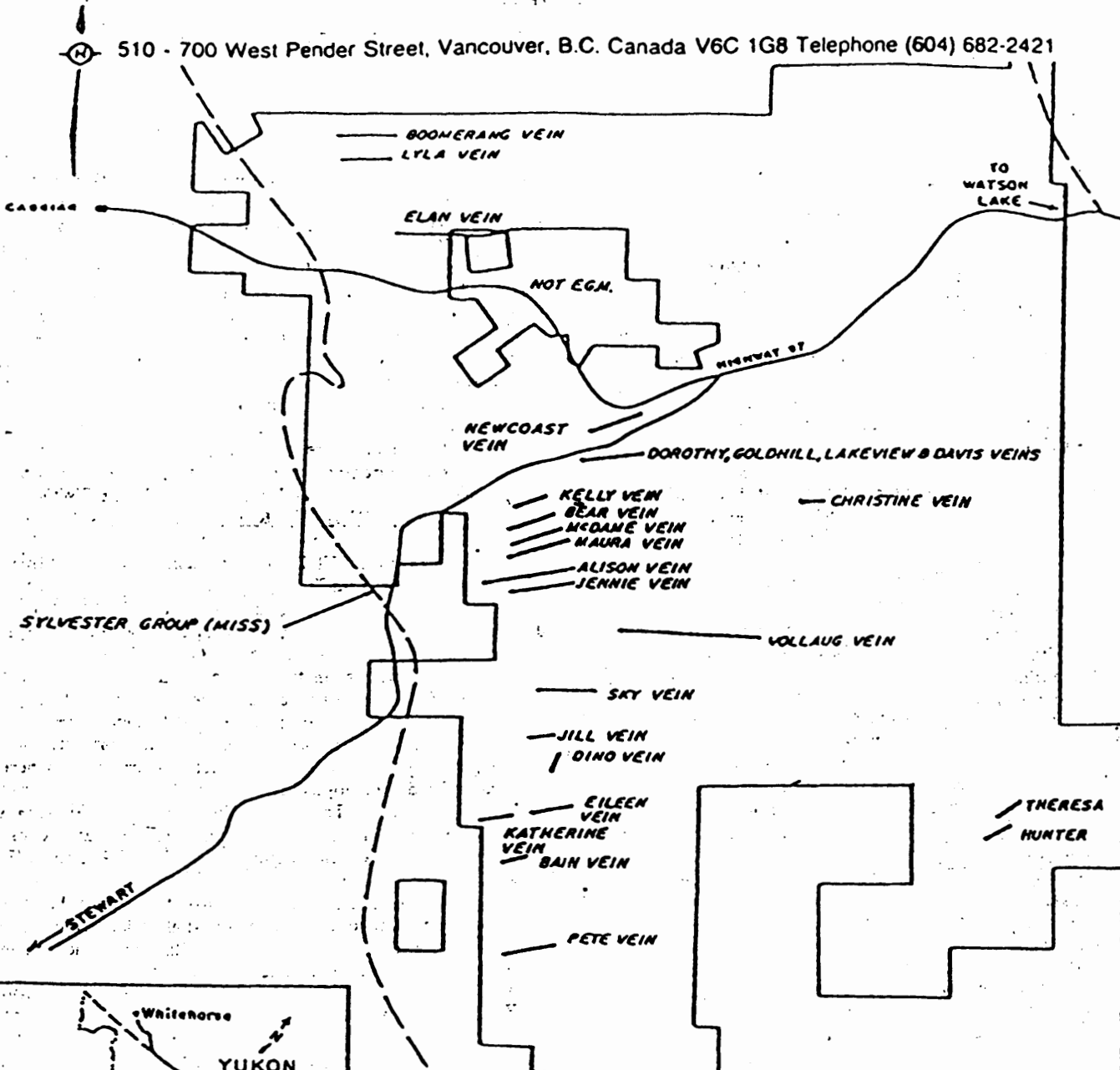
As seen on the map overleaf there are some 20 known ore grade veins on the property, each of which holds potential and each of which will be further explored in the 1994 field season. (SEE GCNL NO.80, 27Apr94, P.1 FOR PREVIOUS TABLE MOUNTAIN INFORMATION)

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CUSAC INDUSTRIES LTD.

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— VEINS

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TABLE MOUNTAIN
GOLD MINE
CASSIAR, B.C.

NOTE: VEINS NOT TO SCALE