

Tom Schwets
@ PDA '99

Table mtn
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CUSAC
GOLD MINES LTD.

ANNUAL REPORT
1996

CUSAC 
GOLD MINES LTD.

SINCE 1966, CUSAC GOLD MINES HAS APPLIED ITSELF

DILIGENTLY TO ITS GOAL OF DEVELOPING MINERAL RESOURCES.

AS 1996 MARKS OUR 30TH ANNIVERSARY REPORT, WE'LL REVISIT

1966~1996

OUR PAST BEFORE LOOKING TO OUR FUTURE. AS ALWAYS, OUR

FOCUS REMAINS ON ENSURING THE TRANSLATION OF MINERAL

WEALTH AND POTENTIAL INTO SUPERIOR SHAREHOLDER VALUE.



Cassiar pioneer prospector Joe Reed's log cabin home at Reed Mountain as it is today.

Joe, crossing McDame Creek in the late 1950s.

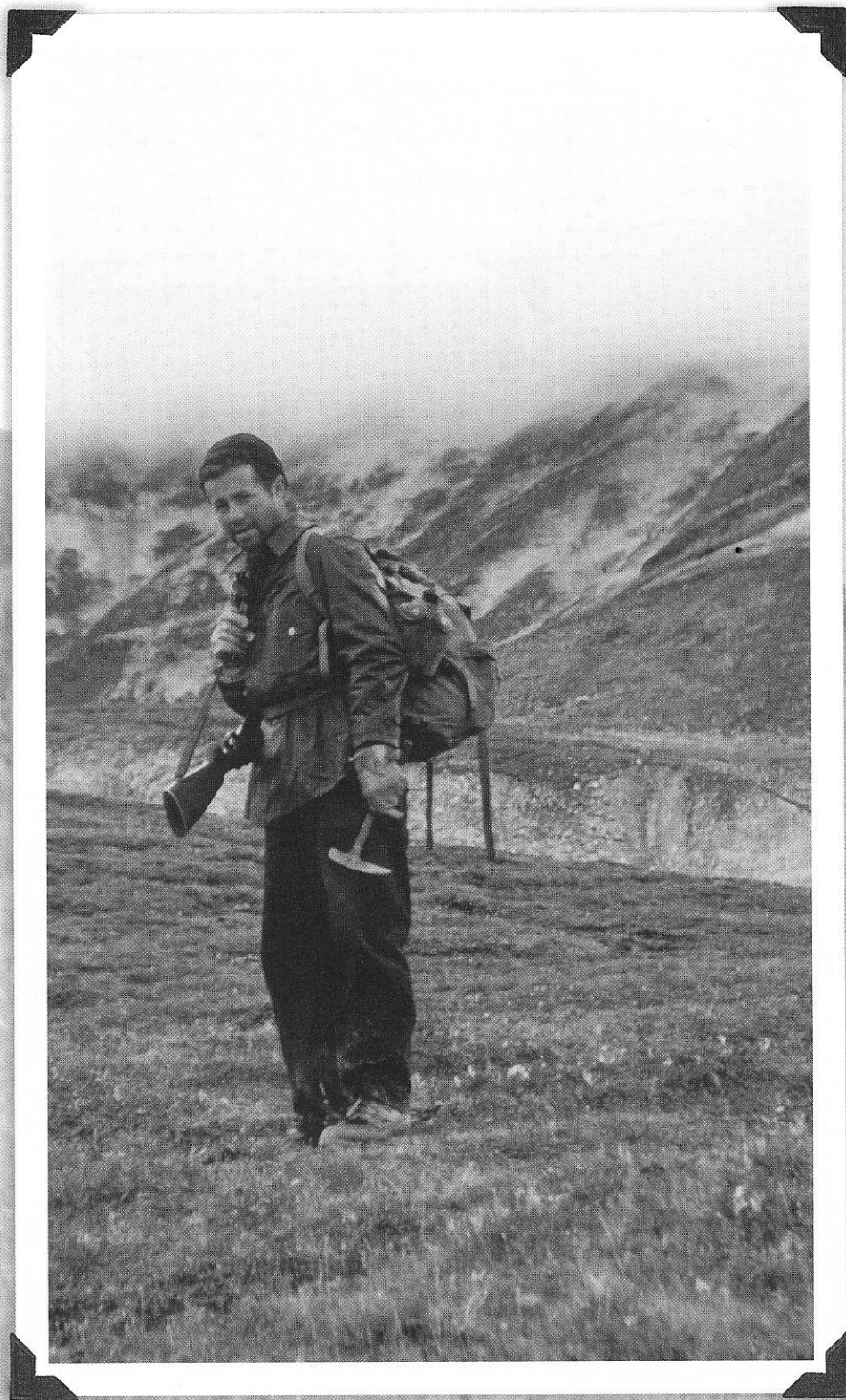
Reed, an inspiration to Guilford Brett, trekked hundreds of miles in the 1930s to explore for Cassiar gold.



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Guil Brett, prospecting in the Cassiar, 1957.



[May 5, 1997]

1996 PROVED TO BE CUSAC'S BEST YEAR EVER.

Some 22,000 oz of gold were recovered, mainly from the high grade Michelle and Lilly structures, resulting in an average grade for the year of .81 oz/Ton. This grade ranks Cusac as one of the highest grade gold producers in North America. The complex nature of the structures in this area of the mine are now much better understood by company geologists. I am confident that new veins with similar high grades will be found nearby.

A respected investment publication recently published a financial analysis of 73 precious metal mining companies. I'm proud to say that Cusac ranked in the top two in price earnings ratio, price to cash flow ratio, and cash flow to debt ratio. As well, our net working capital was eighth of the 73. Myself and the rest of the Cusac management team are working hard to maintain this kind of high level performance on your behalf.

Our Company's successful, profitable mining operation has not to date attracted the level of marketplace attention that I believe it deserves. Maintaining high levels of reserves is one of the challenges faced by high grade gold-quartz vein mines. Your directors recognize this problem and are taking steps to correct the situation. An aggressive exploration program is planned for 1997.

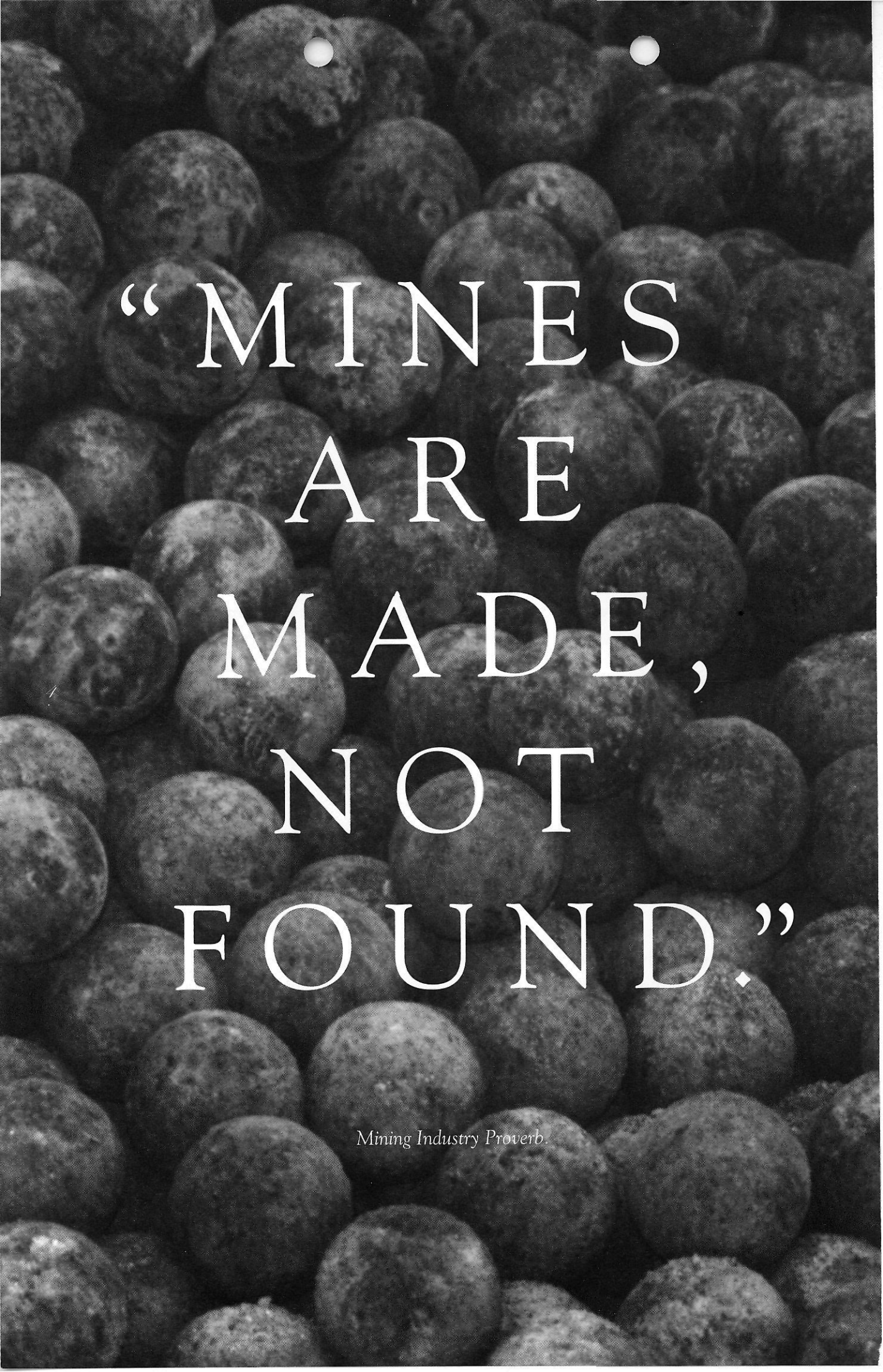
The Taurus/Cusac project also holds tremendous potential for Cusac. Approximately 1 million ounces have been outlined to date in the "88 Hill" area. Approximately 20-30% of this deposit is estimated to be on Cusac ground. Significant additional drilling is planned for this project in 1997.

As always, I greatly appreciate the tremendous support and interest received from the shareholders of this company that I have managed for the past 30 years. I am optimistic that 1997 will prove to be even more successful than 1996.

Yours sincerely,



Guilford H. Brett
President, CEO and Director



“MINES
ARE
MADE,
NOT
FOUND.”

Mining Industry Proverb.



It is well known in the mining industry that many prolific producers are located on ground previously explored by numerous individuals and owners, often over long periods of time.

In addition to precise scientific data, successful exploration requires abundant enthusiasm, creativity, capital, and above all, tenacity.

Cusac Gold Mines Ltd. is the 100% owner and operator of the Table Mountain Gold Mine near McDame Creek in the Cassiar Mining District of British Columbia's Far North. Now in its fourth year of gold production at Table Mountain, Cusac has produced over 53,000 ounces of gold (to May, 1997). Cusac's present success results from management's strong belief in the long term potential of the property. This belief is enhanced by the Company's unique understanding of the Mine's history.

Placer gold was first found in McDame Creek in 1874. This discovery prompted a rush of operators into the area who recovered about 100,000 ounces of gold prior to 1900. In 1877 a huge nugget weighing over 40 ounces was found. Since that time, prospectors and mining companies have searched for the hard-rock source of the gold. According to Geological Survey of Canada geologist Hubert Gabrielse, "The placer gold has undoubtedly been derived from gold-quartz veins that are abundant in the Sylvester Group between Pooley and Quartzrock Creeks" (Memoir 319, 1963). Cusac now owns mineral rights to the vast majority of this high potential area (97 square miles of claims).

Cusac's 1997 production will come largely from the Vollaug vein, staked originally by local prospectors John Vollaug and Hans Ericksen in 1935. In 1936-37 the Vollaug vein was explored by the Consolidated Mining and Smelting Company of Canada Limited (Cominco) and in the early 1950s by Silver Standard Mines Limited. Numerous interests have owned and explored sections of this relatively long vein (approximately 7000 feet). All these interests were eventually bought-out in the late 1980s at considerable expense by Total Energold Inc., a subsidiary of French energy giant Total Petrols de France.

During the 1930s and 40s the many veins in the McDame Creek area were covered by claims such as the Turmoil (staked by Pete Hamlin), Gold Hill, Homestake, Mac, Lodestone and Hopeful. These properties were explored by companies such as Benroy Gold Mines Ltd., Cominco and Cassiar Yukon Gold Mines Ltd.

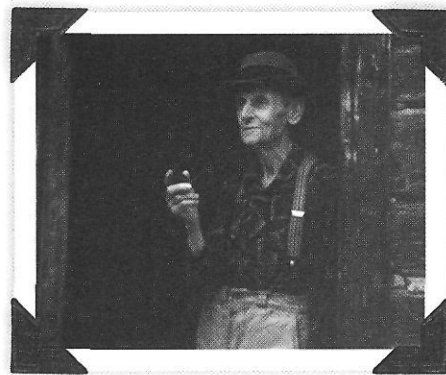
Cusac's interests in the Cassiar area originate with the prospecting efforts of Guilford Brett and his brother Fred which began in the mid 1950s. These and other efforts, initially seasonal, eventually became full-time with the formation of Glen Copper Mines Ltd., which went public in 1966. Glen Copper is now called Cusac Gold Mines Ltd.

Cusac's original key claims in the Cassiar area were staked by Guilford Brett in 1977. This original group of claims was explored by Cusac in the following years, resulting in the discovery of numerous high grade gold-quartz veins. Initial development and bulk sampling of these veins was carried out in the early 1980s. Concurrent with Cusac's activity in the area, neighbor Erickson Gold Mines Ltd. on the other side of Table Mountain, led by David Ross and son Kristian, put the Jennie and other veins into production.

In 1984, Cusac optioned its claims to Erickson in exchange for a 40% net profits interest. Erickson then discovered more rich veins on the Cusac property and began producing from those veins in 1985. Cusac received close to \$7 million from this production over the next few years. It was during this period that Erickson built a new 300 ton per day mill and was later taken over by Total.

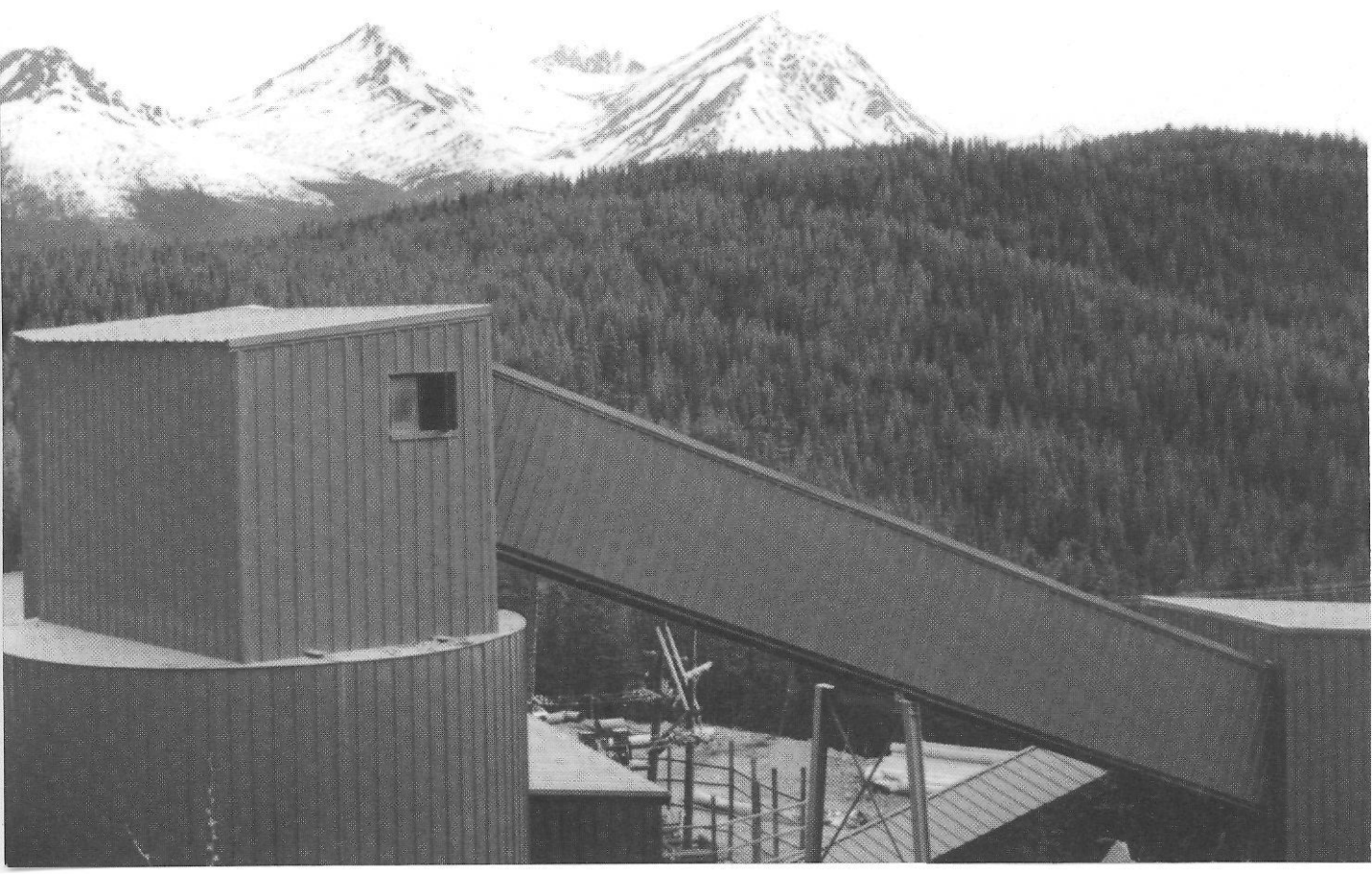
Total Energold shut the mill down in 1988 and embarked on an ambitious exploration and development program. This activity led to the discovery of more gold reserves and the completion of the first 5,000 feet of the sizable "10 Portal" Main Haulage Development Project. In the early 1990s Total elected to divest itself of all its Canadian Mining assets and sold all its interests in the area, including the mill and other facilities, to Cusac for about \$2 million of Cusac stock.

Cusac put the property back into production and began milling ore in the spring of 1994. Up to the time of writing, total production from Table Mountain by Erickson and Cusac is approximately 280,000 ounces of gold.



**1940s prospector Pete Hamlin at his cabin
in Pooley Pass.**

“IT’S A
GOOD
MOUNTAIN.”





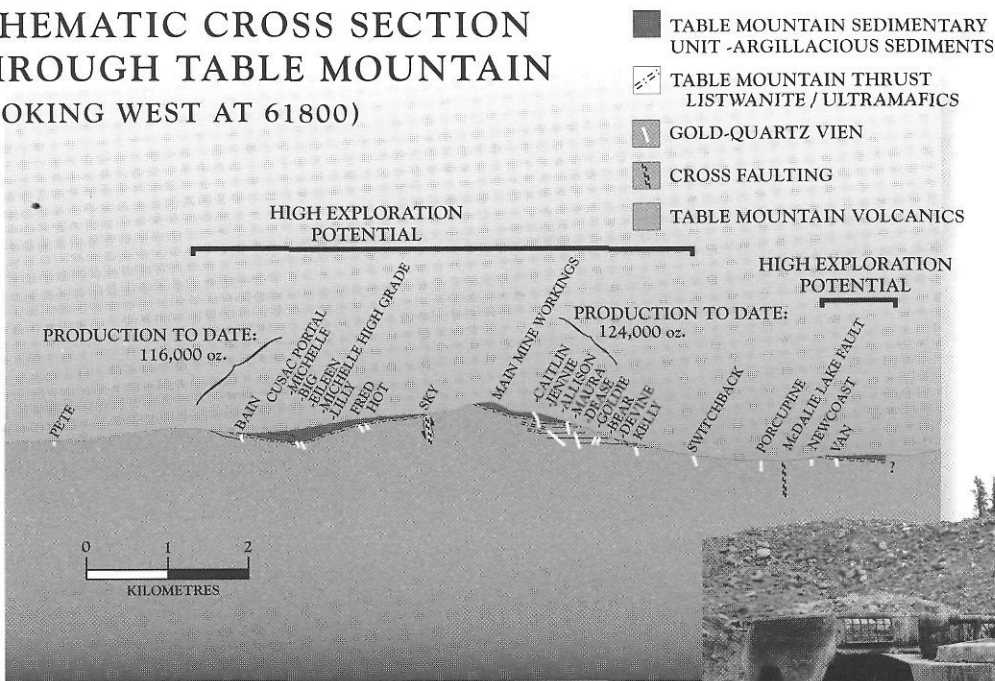
“It’s a good mountain” is the folksy phrase used by many veterans of Table Mountain to sum-up their impressions of the Mine. It keeps on producing. Year after year, tenacious geologists find more ore. Current proven and probable reserves stand at approximately 40,000 ounces.

The nature of the mineralization has so far defied long term ore definition. Referring to Cusac’s gold production history from 1994 to present, Iain F. Downie, P.Eng writes in his March 1997 report on the property: “Most interesting is that the majority of this gold has come from reserves defined *since* April 1994.” It is a matter of record that K. & D. Ross originally put the property into production in 1978 with a probable reserve of just 13,000 ounces. Production to date stands at about 280,000 ounces.

1997, A STRATEGIC EXPLORATION OPPORTUNITY

The geological and structural parameters of Table Mountain have made it difficult to explore high potential zones from surface. Virtually all of the producing gold-quartz veins on the property are found in faults within volcanic rocks proximal to the approximately 5 mile long Erickson Creek fault zone. Much of this area, however, is “capped” by a layer of barren sedimentary rock. Although many of these veins outcrop on surface, substantial recent production has come from veins that have no surface expression at all.

SCHEMATIC CROSS SECTION
THROUGH TABLE MOUNTAIN
(LOOKING WEST AT 61800)



For example, the rich veins within the Michelle High-grade Zone have been explored almost completely from underground. The advancement of the Cusac Decline to lower levels has enabled highly effective drilling in this area. This drilling has been focused primarily on near term ore definition. Little long range drilling has been completed.



The highest grade veins to date occur near the Erickson Creek fault zone and below the sedimentary horizon and below quartz-carbonate alteration zones known as Listwanite. *Cusac is now in a position to effectively explore the vast untested regions along the strike of the fault zone below the Listwanite.* Cusac believes this area has the potential to host several hundred thousand ounces of gold. Long range strategic drilling is planned for 1997.

PLANNING FOR SUCCESS, "10 PORTAL" DEVELOPMENT PROJECT

In 1988, Cusac's predecessor at Table Mountain initiated the ambitious 10 Portal development project consisting of a 7,500 foot tracked adit designed to provide a main haulage way for ore from the Michelle High grade Zone and potential ore from surrounding areas. The project was advanced to 5,000 feet by

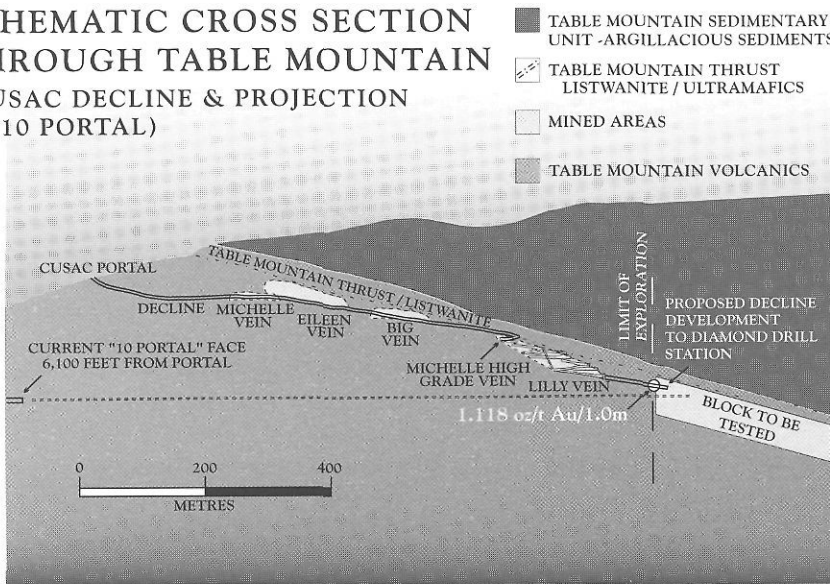
Total Energold and recently another 1,100 feet by Cusac. Approximately 1,400 feet remain to be driven to reach the target area. This remaining leg is projected to pass through highly favorable geology. Cusac aims to complete this project by the end of 1997.

The 10 Portal project will provide the optimum logistical framework for developing the potential high grade reserves described above. The adit is slightly inclined which enables electric locomotives and mine cars to transport waste and ore with the benefit of gravity. Generally, the project will significantly expand Cusac's production capability.

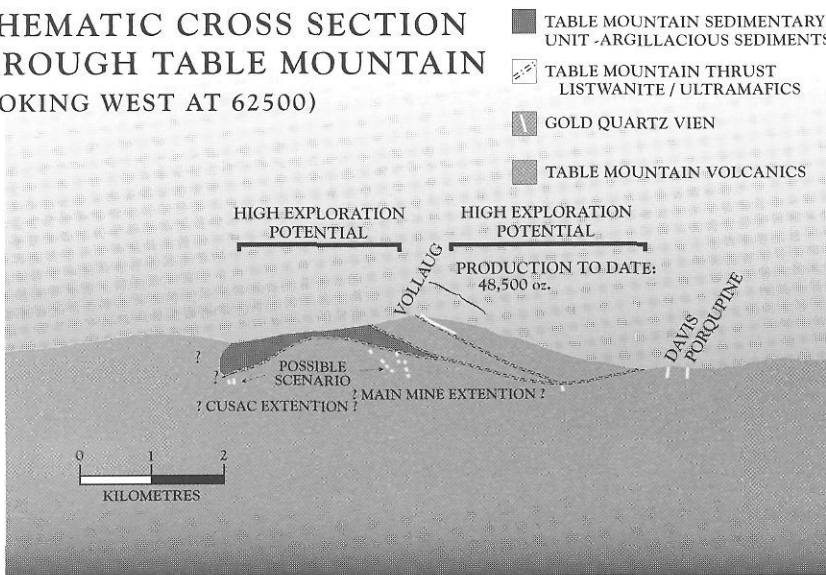
SURFACE EXPLORATION

Cusac has identified a number of areas where there is strong potential for non-outcropping but near surface high grade mineralization. To aid in exploring these zones, a novel geophysical approach will be tested this summer. In addition, numerous surface drill targets have already been outlined.

SCHEMATIC CROSS SECTION THROUGH TABLE MOUNTAIN (CUSAC DECLINE & PROJECTION OF 10 PORTAL)



SCHEMATIC CROSS SECTION THROUGH TABLE MOUNTAIN (LOOKING WEST AT 62500)



Cusac recognizes that an aggressive exploration program is required for the long term success of any mining company.

We believe that 1997 has the potential to be a very fruitful year.

1966-1996

CORPORATE INFORMATION

CORPORATE OFFICE

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Toronto Stock Exchange .. CQC
Warrants: Nasdaq CUSWF

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CO-TRANSFER AGENTS

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BDO Dunwoody
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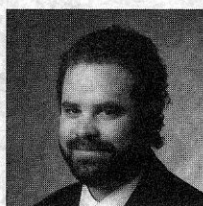
BANK

Canadian Imperial Bank of Commerce
Commerce Place, 400 Burrard Street, Vancouver, BC,
Canada V6C 3A6



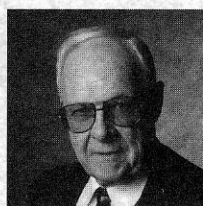
Guilford H. Brett
BA., *President,*
CEO & *Director*

Founder of Cusac Gold mines in 1966, Mr. Brett brings a wealth of experience in all facets of the management and financing of junior resource companies.



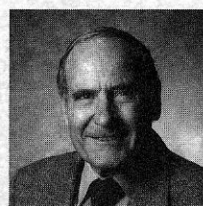
David H. Brett
BA., *Vice President*
& *Director*

David Brett has over 15 years experience in mineral exploration and public company management.



Luard J. Manning
PEng., *Director*

Mr. Manning is a mining engineer with over 30 years experience in underground mining throughout Canada.



W. Earl Essery
CA., *Director,*
Secretary/Treasurer

Mr. Essery has over 30 years experience in public company management and financial accounting.