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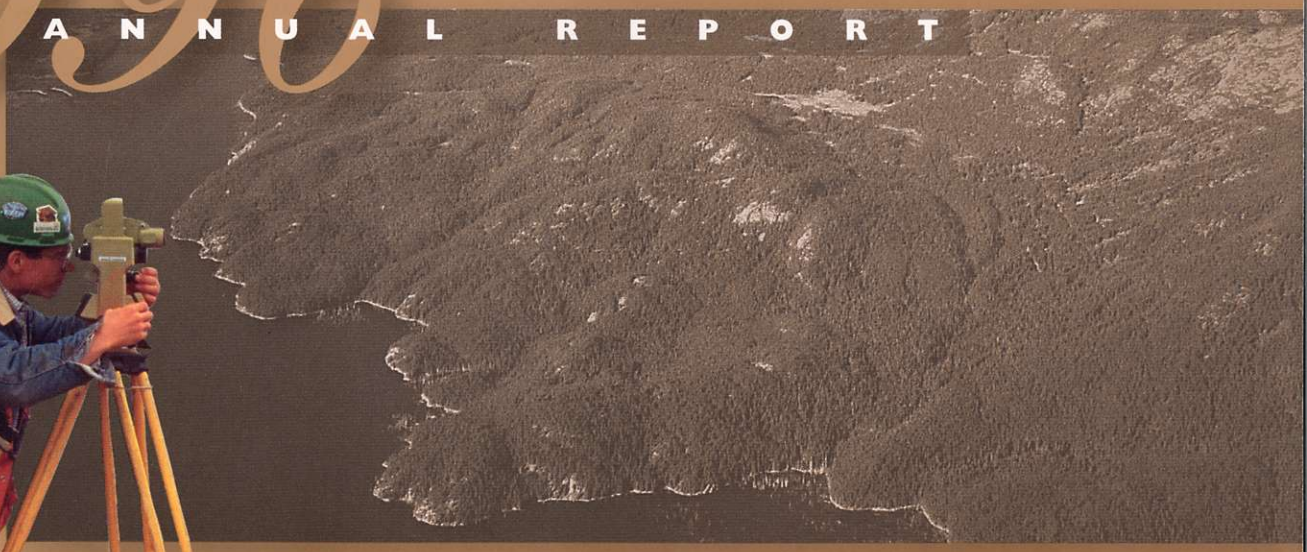
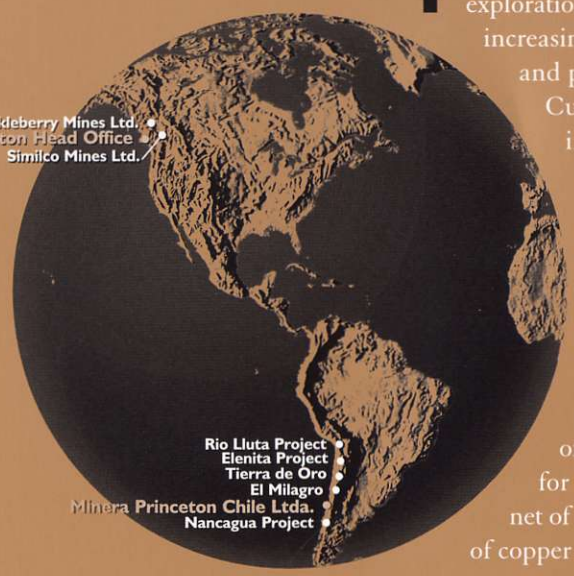
Princeton Mining Corporation

1996 ANNUAL REPORT



CORPORATE PROFILE

A new senior management team plans to pursue opportunities for growth and bring the Huckleberry project into production in 1997.



Princeton Mining Corporation is a Canadian-based mining, exploration and development company which is committed to increasing shareholder value through the development of base and precious metal assets in North and South America. Currently, the Company's main asset is its 60% interest in Huckleberry Mines Ltd. which owns 100% of the Huckleberry Mine located in central British Columbia, near the town of Houston.

Development of the $137 million Huckleberry Mine is more than 60% complete and is scheduled to begin operations at the end of the third quarter of 1997. The mine is projected to produce an average of 65 million pounds of copper, 5,800 ounces of gold, 302,000 ounces of silver and 1.2 million pounds of molybdenum annually for the first 10 years of production. Cash operating costs, net of by-product credits, are forecast to be US $0.65 per pound of copper produced over the initial ten years of the mine life.

The Similco Mine, located near Princeton, British Columbia, suspended operations on November 15, 1996, producing 40,630,000 pounds of copper in concentrate during the year. Copper produced also contained 29,422 ounces of gold and 85,943 ounces of silver. The mine is now on a care and maintenance basis. Higher sustained copper prices, additional exploration efforts and new capital will be required to revitalize the operation.

Princeton also holds a number of exploration properties in Chile through its wholly owned subsidiary, Minera Princeton Chile Ltda. A new Canadian registered company, Aquest Minerals Corporation, has been created to own the shares of Minera Princeton. This new company will raise funds through an initial public offering thereby enabling a much higher level of exploration to be undertaken.

In early 1997, Princeton's management team was strengthened with the hiring of three new senior executives; William H. Myckatyn, President and Chief Executive Officer, Paul B. Sweeney, Senior Vice President and Chief Financial Officer and Jack H.L. Miller, Vice President Operations. On February 25, 1997, the Company closed a $5.4 million private placement of Special Warrants. Princeton is now very well positioned to take full advantage of its operating and management expertise. With the Huckleberry Mine providing a stable cornerstone for the Company's growth the focus for the future will be to acquire and/or develop quality mineral assets that will enhance shareholder value.

Princeton's shares trade on the Toronto Stock Exchange under the symbol "PMC".

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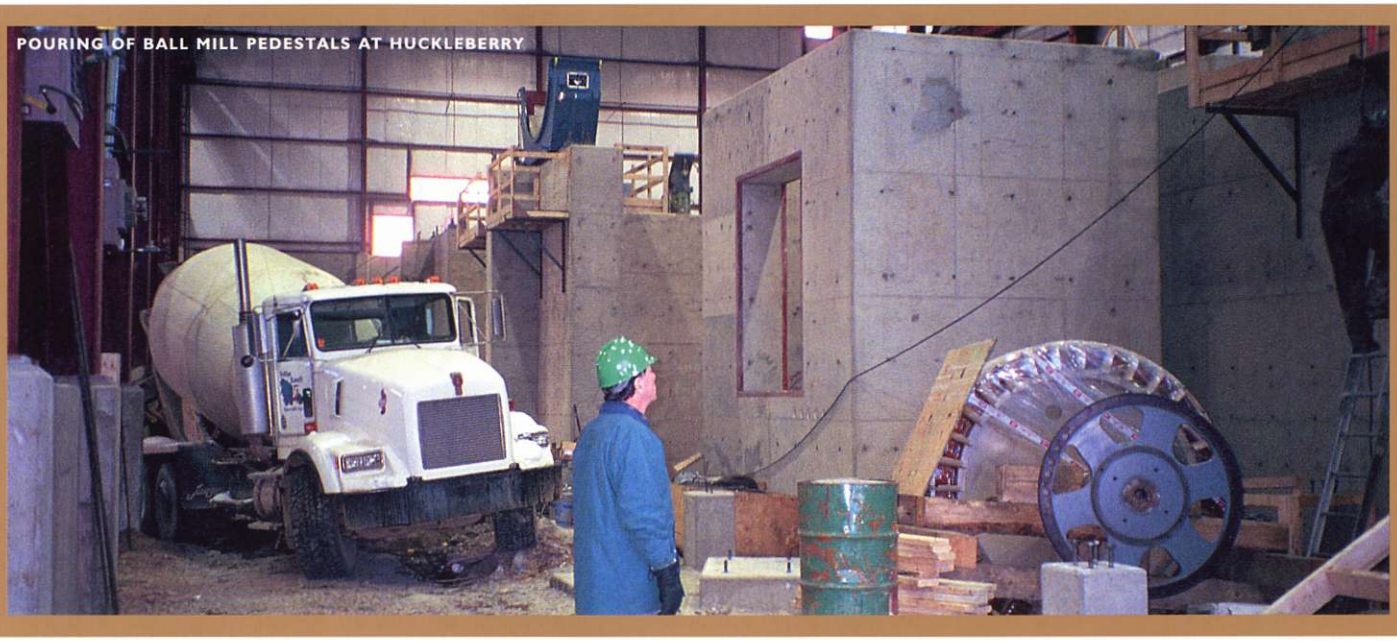
HIGHLIGHTS & OBJECTIVES

In 1997, Princeton will capitalize on its operating expertise with the opening of Huckleberry, a new copper mine in British Columbia.



POURING OF BALL MILL PEDESTALS AT HUCKLEBERRY

HIGHLIGHTS - 1996

In 1996 Princeton set in motion a strategic plan to strengthen its business and firmly establish forward momentum towards building the Company and enhancing shareholder value.

The following were major initiatives and developments in 1996:

Huckleberry Project

- Official production decision announced in June.
- Construction of a new 8 kilometre access road.
- $10.05 million financing completed with the funds going to project development.
- Construction activities substantially 50% complete.
- Approximately 60% of the project's $137 million expected capital cost was spent or committed by the end of the year.

Similco Mine

- Produced 40,630,000 pounds of copper and 29,422 ounces of gold.
- Mine suspended operations on November 15 due to uneconomic metal prices.

Exploration

- $1.0 million flow-through share offering completed to provide exploration funds for the Similco property. A 40,000 foot drilling program is nearing completion with available results under evaluation.
- Surface geochemistry program at Elenita identified a number of anomalous areas. Shallow percussion drill program identified twelve areas for follow up drilling in 1997.
- 1,141 metre drilling program at Nancagua property confirmed additional mineralization.
- Minera Princeton acquired a new Chilean gold project, Milagro.
- Tierra de Oro (formerly Jacqueline) gold project ready for drilling.

OBJECTIVES - 1997

1997 is expected to be a year of visible transition for the Company that will ultimately improve and solidify shareholder value.

Objectives for 1997 include:

- Complete construction of the Huckleberry Mine and begin production by late September.
- Advance the exploration of Chilean properties by completing the launch of Aquest Minerals as a public company in Canada.
- Seek out new growth opportunities through acquisition.

REPORT TO SHAREHOLDERS

The Huckleberry project, scheduled to be in production by late September 1997, is anticipated to have a positive impact on shareholder value over time.

BILL MYCKATYN

Mr. William Myckatyn, President and Chief Executive Officer, joined Princeton in February 1997, bringing to the Company extensive experience and success in the mining industry.

True wealth creation in the mining business comes from turning a mineral prospect into a producing mine. Wealth is generated by the metals produced and the benefits accrue to the employees, supporting businesses, governments at all levels and the shareholders.

During 1996, Princeton set firmly in place a significant value creation process through the commencement of development of its 60%-owned Huckleberry Mine.

The strategic alliance with our Japanese partners, Mitsubishi Materials Corporation, Dowa Mining Company Ltd., Furukawa Ltd. and Marubeni Corporation was signed in late May and the official project go-ahead was given on June 4. Road construction, engineering and logging for the powerline right-of-way was already underway.

Princeton's equity contribution for the $137 million project was satisfied through cash and the transfer of crushing and mining equipment from the Similco Mine for contributions totaling $21.9 million. An infrastructure loan of $15 million from the provincial government and a U.S. $60 million project loan from the Japan Group were negotiated on commercial terms. By the end of the year, over 200 construction and operations people were employed at the Huckleberry site and approximately 60% of the costs of the project had been spent or committed.

"By the end of 1996, over 200 construction and operations people were employed at the Huckleberry site and approximately 60% of the costs of the project had been spent or committed."

The process of permitting a new mine development in today's political environment is a difficult and involved one. The Huckleberry project was the first major mine to successfully go through the new British Columbia Environmental Assessment Act process. A motion brought forward in the B.C. Supreme Court by the Sierra Legal Defence Fund on behalf of the Cheslatta Carrier Nation and subsequently in combination with the Office of the Wet'suwet'en Hereditary Chiefs, was finally heard in February 1997. The hearing is scheduled to resume and be concluded in April 1997. The motion, which is filed against the British Columbia government, alleges that due process was not followed during the environmental review. Princeton followed all of the mandated steps in the process and believes a valid permit has been granted. The petition has not affected the progress of construction.

The Similco Mine produced 40,630,000 pounds of copper and 29,422 ounces of gold until operations were suspended on November 15, 1996. The suspension of operations at the mine resulted from a sudden drop in copper prices at mid-year and the inability of Similco to complete forward sales at prices necessary to continue operating.

A $1 million exploration program consisting of 40,000 feet of diamond drilling at Similco that began in 1996 is nearing completion. The available results of this drilling program are being evaluated. The decision to re-start the mine will be a function of the price of copper, the success of the exploration program and the amount of capital necessary to replace or upgrade current equipment. Because of the uncertainty as to whether the mine will re-start operations, reserves have been downgraded to the resource category and a write-down of $10.7 million was recorded.

REPORT TO SHAREHOLDERS

A new management team under the direction of William H. Myckatyn, President and CEO, is focussed on improving shareholder value through stability and growth.

At the Elenita copper oxide property in Chile, an extensive surface geochemistry program identified a number of anomalous areas which were subsequently further defined by a shallow percussion drill program. A follow up reverse circulation drill program on twelve high potential areas is planned for 1997. On the Nancagua property a US $300,000 drill program, conducted by a partner, confirmed the presence of gold mineralization in the area. The Milagro gold property was acquired through option agreements and the Tierra de Oro property (formerly called Jacqueline) was optioned out.

There were a number of personnel changes at Princeton during 1996 and in early 1997. Richard Faucher, who joined Princeton in April 1996, chose to pursue other opportunities and left the Company in February, 1997. The Board would like to formally acknowledge Richard's very significant contribution to the success of the Huckleberry project. Mr. Harvey Keats was elected to the Board of Directors in June 1996 and tendered his resignation in January, 1997. His valuable contribution is also sincerely appreciated.

Mr. William H. Myckatyn and Mr. Paul B. Sweeney joined Princeton in February 1997 as President and Chief Executive Officer, and as Senior Vice President and Chief Financial Officer respectively, the same positions they held previously with Gibraltar Mines Ltd. prior to it being acquired by Westmin Resources Limited. Mr. Myckatyn and Mr. Sweeney were also appointed to the Board and together bring over 50 years of direct experience in mine operations, development and financing.

Mr. Jack H.L. Miller joined Princeton in March, 1997 as Vice President Operations. Mr. Miller was most recently Vice President-Projects for Westmin Resources Limited and prior to that Vice President-Projects for Gibraltar Mines Ltd. Mr. Miller will oversee the construction of Huckleberry and all of Princeton's operations.

Mr. James C. O'Rourke, previously Chairman and Chief Executive Officer, will remain with the Company as Chairman of the Board in a non-executive capacity and will also maintain a board role within Aquest and the Huckleberry operating company.

With a significantly strengthened management team and the new Huckleberry mine, Princeton is very well positioned to move successfully into the next century.

We thank our shareholders and employees for their continued support.

On Behalf of the Board

W. H. Myckatyn, P. Eng.
President and Chief Executive Officer

PAUL SWEENEY

Mr. Paul Sweeney was appointed Senior Vice President and Chief Financial Officer in February 1997 to complement and strengthen the management team.

JACK MILLER

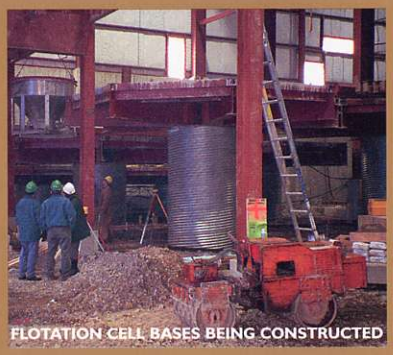
Mr. Jack Miller became Vice President Operations in March 1997 to oversee the Huckleberry project and other operations of the Company.

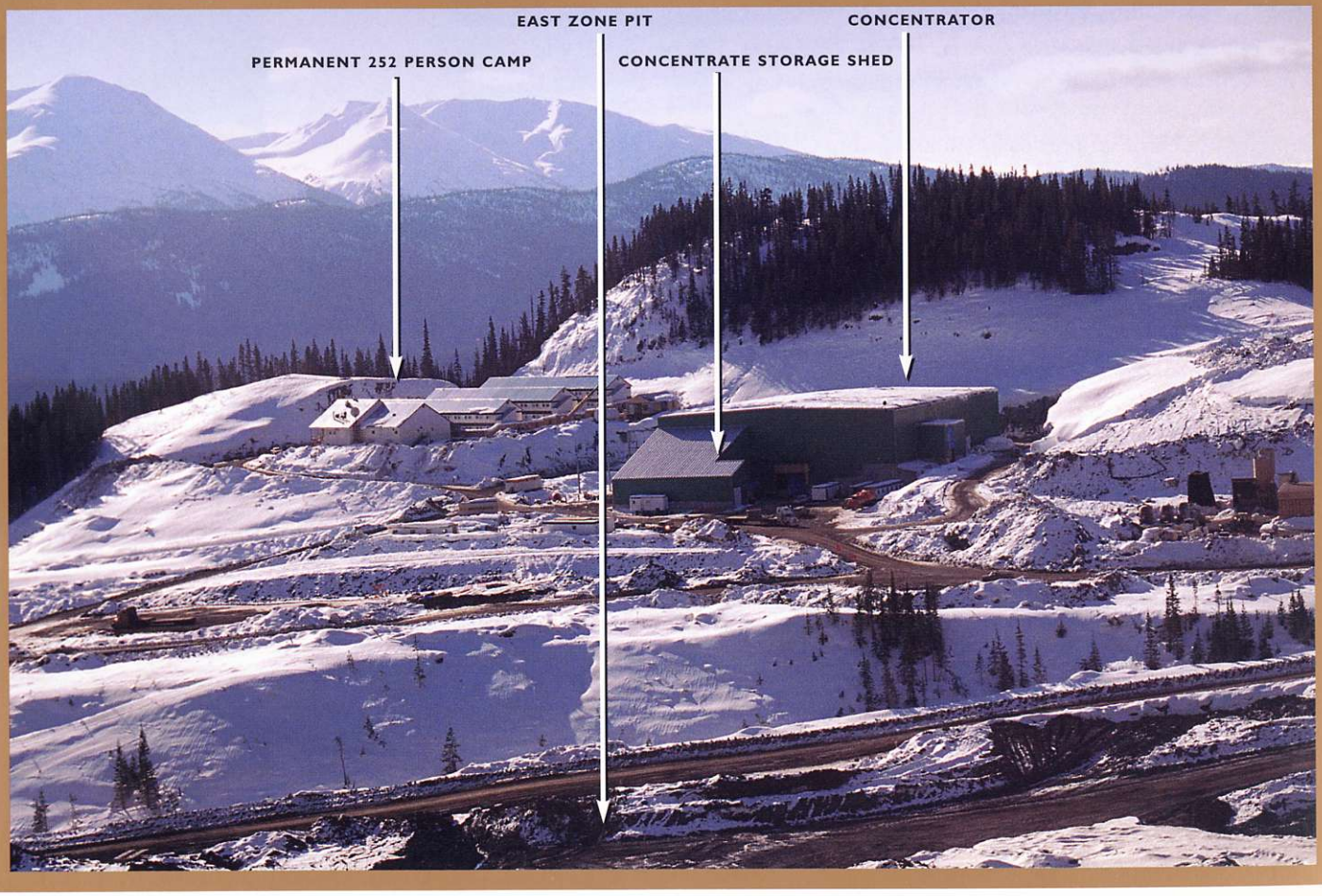
HUCKLEBERRY MINES LTD.

With the Huckleberry project fully financed, the construction phase is progressing on schedule.

STRIPPING OF EAST ZONE PIT

REGRIND MILL BEING INSTALLED


FLOTATION CELL BASES BEING CONSTRUCTED



HUCKLEBERRY MINES LTD.

The Company has developed the Huckleberry project from the exploration stage to the construction phase.

OVERVIEW

During 1996 and the first quarter of 1997 the Huckleberry project has gone through a series of complex stages of mine development. A rigorous and lengthy environmental assessment process was concluded in March 1996. Arrangements to finalize the partnership between Princeton and the Japan Group, comprised of Mitsubishi Materials Corporation, Marubeni Corporation, Dowa Mining Co. Ltd. and Furukawa Co. Ltd., were completed at the end of May, formalizing the long-term strategic alliance. The Japan Group have contributed their 40% equity contribution and made available a U.S $60 million loan. The B.C. provincial government signed an infrastructure loan financing agreement in the amount of $15 million. A final decision to proceed with the project was announced in June and a $10.05 million financing was completed by Princeton to fund its equity share of the project. A construction management team was appointed and major contracts were finalized.

By the end of 1996 the mill building had been fully enclosed and heated allowing interior work to continue through the winter. A permanent 252 person camp with kitchen facilities had been built. Crusher foundations were complete and stripping of the East Zone pit was underway.

SUMMARY OF MINEABLE RESERVES*

Pit Design	Ore Tonnes (x 1000)	Copper %	Gold g/t	Silver g/t	Molybdenum %	Waste Tonnes (x 1000)	Overburden bcm x 1000
East Zone	66,131.5	0.523	0.061	3.043	0.014	54,993.6	9,045.1
Main Zone	24,241.0	0.484	0.066	2.181	0.013	12,951.9	3,027.6
Total	**90,372.5**	**0.513**	**0.062**	**2.812**	**0.014**	**67,945.5**	**12,072.6**

Cut-off Grade - 0.30% Copper Strip Ratio 1:1

* Mineable Reserves include proven and probable reserves scheduled in the mining plan.

PROJECT ECONOMICS

The Huckleberry Mine is located 86 kilometres southwest of the town of Houston in West Central B.C. Mineral reserves are situated in two zones, the Main Zone and the East Zone. Based on a feasibility study prepared by H.A. Simons Ltd., the combined geological resource of the two deposits is 162 million tonnes grading 0.47% copper and 0.014% molybdenum accompanied by significant gold and silver values. Based on a 0.30% copper cut-off grade, mineable reserves are calculated to be 90 million tonnes grading 0.513% copper. Both the Main Zone and East Zone deposits will be mined by open pit methods with a waste to ore ratio, including overburden, at a relatively low 1:1. The mill has been designed to treat 16,500 tonnes/day (6 million tonnes per year).

Capital costs outlined in the feasibility study are estimated to be $137 million. Cash production costs, net of by-product credits, over the first 10 years are expected to average U.S. $0.65 per pound with a production rate of 65 million pounds of copper per year.

Huckleberry is owned 60% by Princeton (the Operator) and 40% by its Japanese partners. Financing of the project included the B.C. provincial government's $15 million infrastructure loan and the Japan Group's U.S. $60 million project loan, both of which are non-recourse to Princeton. The combined equity contribution of the Company and the Japan Group is approximately $37 million. Certain mobile equipment and other assets from the Similco operation have been supplied to Huckleberry, constituting part of the funding for Princeton's equity participation.

GEOLOGICAL RESOURCE

(based on a 0.3% Cu cut-off grade)

	Tonnes (Millions)	Grade (% Cu)
Main Zone	53.7	0.445
East Zone	108.4	0.484
Total	**162.1**	**0.470**

HUCKLEBERRY MINES LTD.

Construction of the Huckleberry Mine is more than 60% complete and the project is on schedule to begin operations at the end of the third quarter of 1997.

CONSTRUCTION UPDATE

EMILE BROKX

Mr. Emile Brokx was appointed General Manager of Huckleberry in 1996. He brings many years experience in mine management to the project.

A final production decision was announced on June 4, 1996 after all project approvals and financing arrangements had been completed. The Company's construction team is challenged by a tight schedule with operations targeted to commence by the end of September 1997.

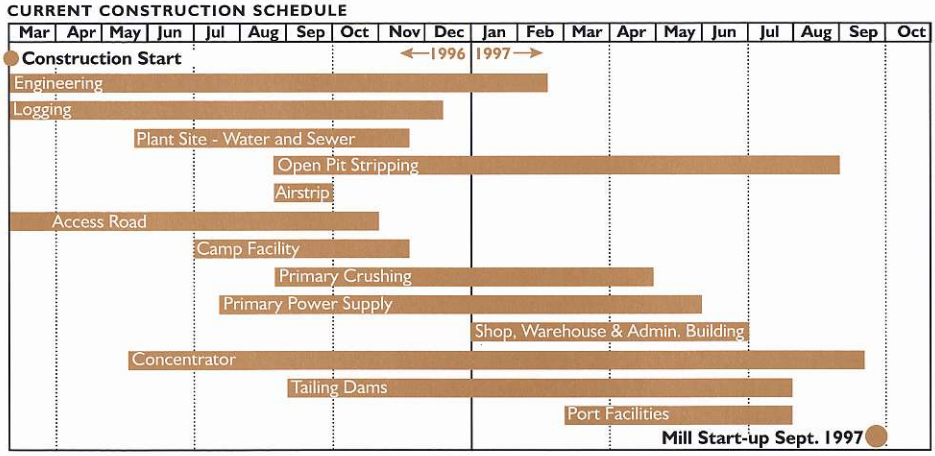
A new 8 kilometre access road completed in early October provides a direct route to the site, shortening the existing Forest Service Road access route by 15 kilometres. To further reduce travel time and expense associated with mobilizing the many contractors involved, an air strip was completed 12 kilometres from the mine site. A temporary 190 person construction camp was constructed off-site at the Whiting Creek Gravel Pit to house initial construction crews and the 252 person permanent camp was ready for occupancy on-site in late November.

Stripping of the East Zone starter pit has been ongoing since September, 1996. Till removed from the pit is being used to construct the tailing dam. Prior to Christmas a starter dam was completed to the 1000 metre elevation, the minimum height necessary to contain sufficient run-off water to support mill operations in September. A significant milestone in the project was reached when the mill building was enclosed in mid-December. This made possible the continuation of concrete foundation work through the winter months in preparation for installation of the semi-autogenous grinding (SAG) mill, ball mills and other processing equipment.

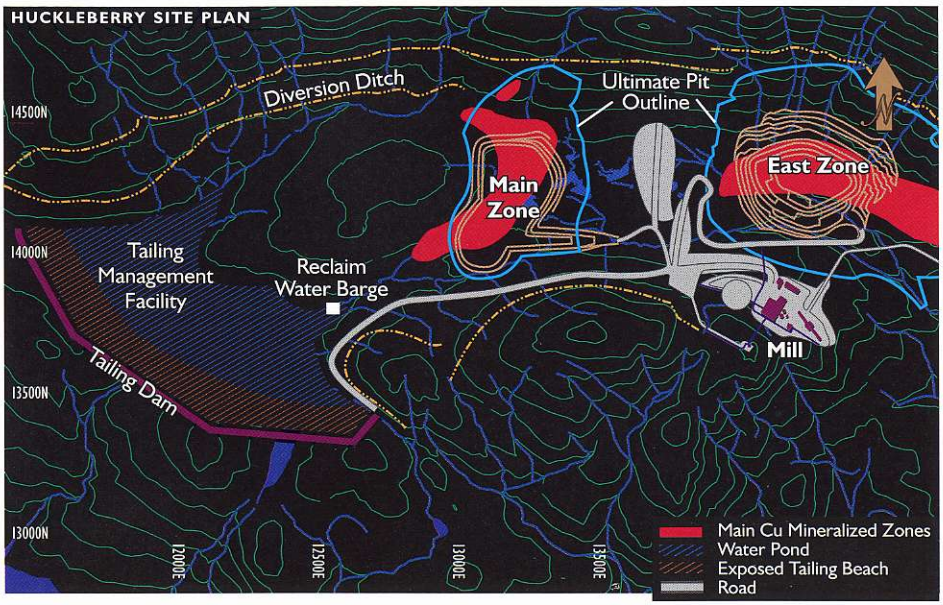
By the end of February 1997 installation of the primary crusher was complete, most of the mill concrete had been poured and major mill equipment was beginning to arrive.

In mid-1996 Mr. Emile Brokx was appointed General Manager and by early 1997 all senior management positions had been filled. At the time of writing, approximately 58 of the projected 177 full time employees had been hired, with the remainder of the hiring to be phased in through the spring and summer in preparation for start-up in September.

CURRENT CONSTRUCTION SCHEDULE



HUCKLEBERRY SITE PLAN

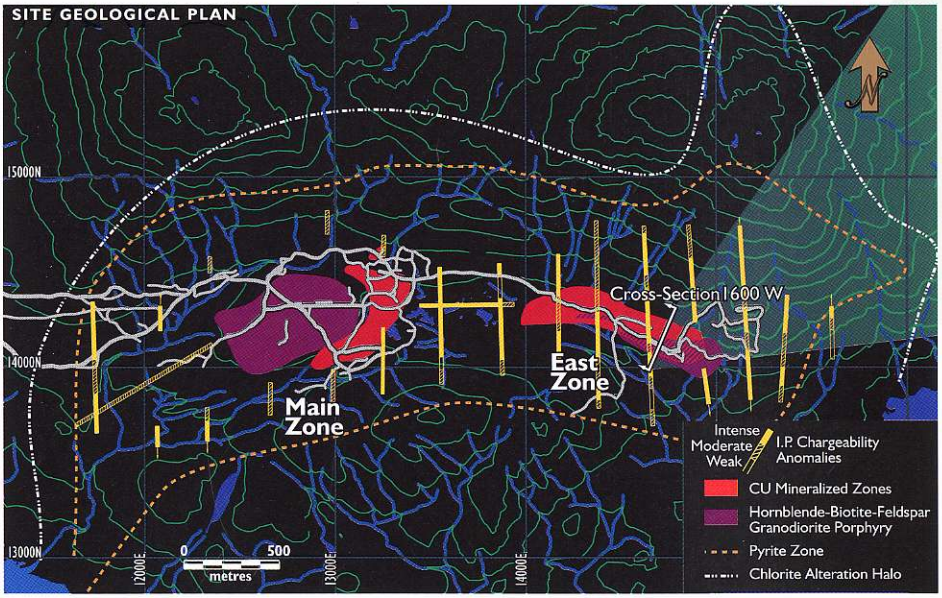


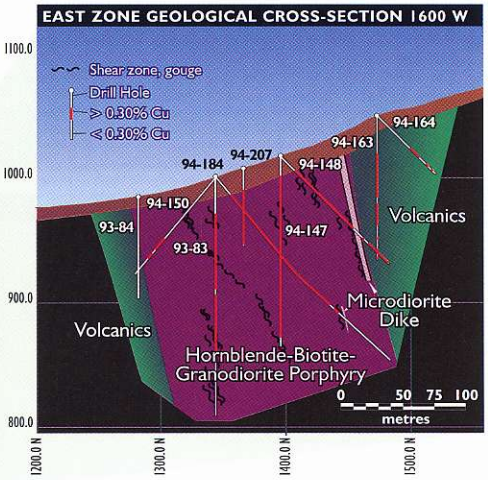
Mining is scheduled in phases between the Main and East Zones to feed higher grade material to the mill as early as possible.

MINE PLAN

Conventional open pit mining methods utilizing electric shovels, drills and 77 tonne haul trucks will be used on the project. A total of 6,000,000 tonnes of ore is planned to be delivered to the mill each year with an average waste to ore ratio of 1:1. During the initial two years the East Zone pit will be mined as the ore is of higher than average grade, is softer and has a relatively low strip ratio. Prior to start-up, a total of 1,700,000 BCM (Bank Cubic Metres) of overburden and 737,000 tonnes of waste rock will have to be removed. This work is being carried out by a contractor and Huckleberry personnel using backhoes and trucks. Much of the overburden is being used for the construction of the tailing dam.

After year two, mining will start in the Main Zone. Waste rock from this pit, which is classified as non-acid generating, will be used for tailing dam construction. In year seven, mining will revert back to the East Zone. Waste rock in this pit is largely classified as potentially acid generating and will therefore be stored in the mined out Main Zone and flooded to prevent oxidation.



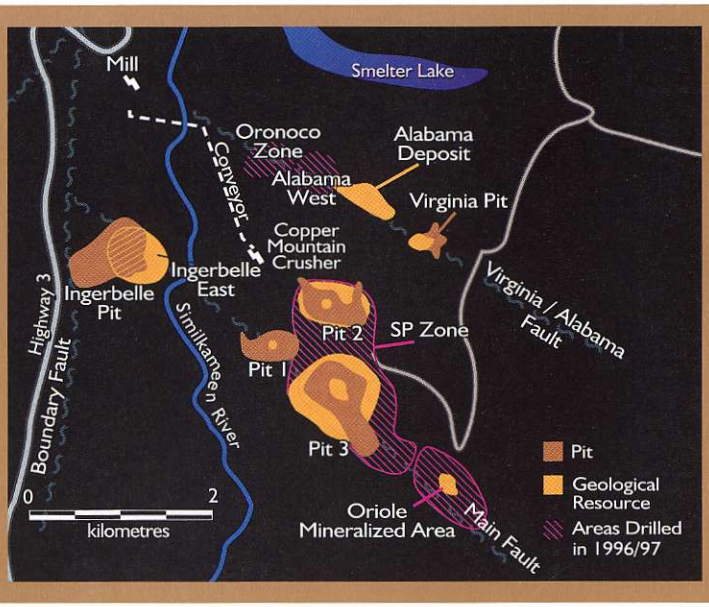


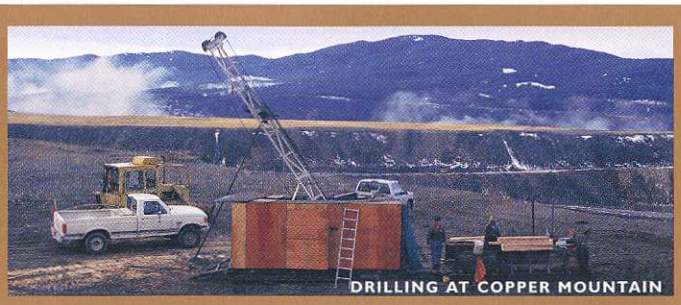
PRODUCT SHIPPING & SALES

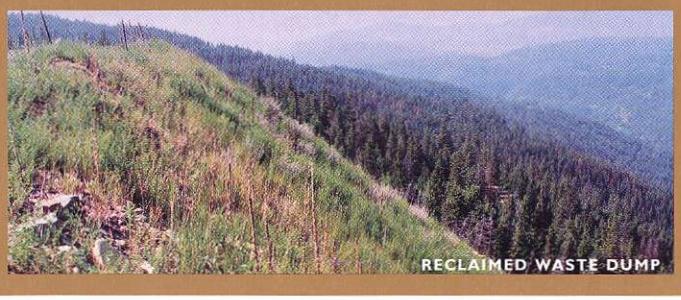
The approximately 120,000 tonnes of copper concentrate produced annually at the mine will be hauled by truck to the port of Stewart for shipping overseas to Japan. The contract for hauling concentrate from the mine to Stewart has been let, allowing sufficient time for the contractor to mobilize the truck fleet. Agreements with certain members of the Japan Group for smelting and refining of the entire production of copper concentrate from the mine have been finalized with terms that are fixed for the first five years but the rates charged fluctuate with world copper prices.

SIMILCO MINES LTD.

Results of a $1 million exploration program at Similco are undergoing evaluation as they become available to assess the future economic potential of the property.




DRILLING AT COPPER MOUNTAIN


RECLAIMED WASTE DUMP

OVERVIEW

The Similco open-pit copper/gold mine is located in southern British Columbia, 14 kilometres south of the town of Princeton. The mine is 100% owned by Similco Mines Ltd., a wholly owned subsidiary of the Company.

The mine and property were purchased by Princeton from Newmont Mining Corporation in 1988. The property, up to the end of 1996, has produced a total of 1.74 billion pounds of copper, 9.1 million ounces of silver and 0.73 million ounces of gold.

The Copper Mountain property covers an area of approximately 75 square kilometres and is divided by the northerly flowing Similkameen River into an eastern part (Copper Mountain side) and a western part (Ingerbelle side). A 6,500 foot long conveyor system connects the Copper Mountain crusher with the concentrator.

SIMILCO PRODUCTION STATISTICS

	*1996	1995	**1994	***1993	1992
Ore Milled (tons x 1000)	7,154	8,958	3,034	7,416	8,132
Waste Mined (tons x 1000)	4,811	7,955	-	6,553	8,828
Head Grade (% Cu)	0.331	0.270	0.265	0.450	0.450
Recovery (% Cu)	85.9	77.9	77.2	77.8	77.2
Copper Produced (lbs x 1000)	40,630	37,694	12,269	51,991	56,667
Gold Produced (ozs)	29,422	23,682	7,392	14,181	16,039
Silver Produced (ozs)	85,943	95,565	32,829	370,129	314,490
Number of Employees (Dec 31)	35	287	198	32	274

*10.5 months operation **4.5 months operation from stockpile *** 11 months operation

OPERATIONS

In June 1996 copper prices took a sudden and unpredicted fall as a result of events involving trading irregularities on world markets. This, coupled with the inability of Similco to obtain attractive forward prices for its 1997 production and significant capital investment required to commence mining operations on the Copper Mountain side, resulted in the decision to proceed with an orderly shut-down and to place the operation on a care and maintenance basis. Similco ceased mining operations on November 8, 1996 and milling of residual ore was completed by November 12, 1996. Production compared favorably with 1995 in spite of the shut-down and closure was carried out by November 15. The total work force at year end was 35 people.

Because of the uncertainty as to whether the mine will re-start operations, reserves have been downgraded to the resource category and a write-down of $10.7 million was recorded. The following table outlines Similco's geological resource as at December 31, 1996. The decision to suspend operations enabled Similco to protect its cash position and embark on an exploration program to evaluate the economic potential of the Copper Mountain deposit before committing to major expenditures.

SIMILCO MINES LTD.

Up to the end of 1996, Similco had produced a total of 1.74 billion pounds of copper, 9.1 million ounces of silver and 0.73 million ounces of gold.

SIMILCO GEOLOGICAL RESOURCE

as at December 31, 1996

	Ore Tons (x 1,000)	Cut-Off % Cu	Grade % Cu	Waste Tons (x 1,000)	Total Tons (x 1,000)	Strip Ratio
Virginia	1,439	0.21	0.420	1,969	3,408	1.37
Oriole	2,923	0.23	0.437	10,805	13,728	3.70
Salvage & Other	1,120	0	0.403	797	1,917	0.71
Pit 2	39,000	0.20	0.330	69,420	108,420	1.78
Pit 3, Phase 1	37,537	0.23	0.478	83,276	120,813	2.22
Pit 3, Phase 2	21,100	0.23	0.493	54,300	75,400	2.57
Ingerbelle, Phase 2	39,288	0.20	0.329	68,363	107,651	1.74
Total	**142,407**		**0.397**	**288,930**	**431,337**	**2.03**

MARKETING

The copper metal market in 1996 was one of turmoil, with the price collapsing in June to below U.S. $0.90 per pound following the discovery of irregularities in metals trading. However, the price recovered somewhat by year end in the face of continuing tight fundamentals. The 1996 average price was U.S. $1.04 per pound compared with U.S. $1.33 per pound in 1995.

EXPLORATION & DEVELOPMENT

Exploration work continued in 1996 on the Alabama West/Oronoco and the SP Target, the two main areas on the Copper Mountain site. A $1 million, 40,000 foot drill program was instituted with the objective of defining new reserves and reducing the waste to ore ratio. This drill program is still underway, with approximately 5 holes yet to be drilled. Available results are currently being assessed. When all of the data has been compiled, new resource figures will be calculated. Based on results of this drilling campaign a mine model will be developed and costs of mining updated to reflect the use of larger equipment.

Alabama West/Oronoco

Drilling at Alabama West/Oronoco concentrated on locating mineralization along a 3000 foot untested portion of the mineralized Alabama/Virginia fault zone. Previous drilling along this structure resulted in the discovery of the Alabama and Virginia deposits. The untested portion of the structure was bounded to the west by the Oronoco zone where previous trenching had returned values up to 0.94% Cu over 150 feet, and to the east by one step-out hole at Alabama West that graded 0.42% Cu over 260 feet.

The program achieved encouraging results at Oronoco (147 feet at 0.39% Cu, 0.202 g/t Au in hole 960RN-1) and at Alabama West (125 feet at 0.55% Cu, 0.239 g/t Au in hole 96A-37), although no significant zones of mineralization were encountered between these areas.

As well, three infill holes were drilled at Alabama West to establish continuity of mineralization. These holes were considered successful, indicating the presence of mineralization near surface beneath 1-3 metres of glacial till.

SP Target

The SP Target area includes the previously abandoned Pits 2 & 3 which contain a geologic resource of 39 million tons @ 0.33% Cu and 59 million tons @ 0.48% Cu respectively. A total of 25,804 feet of drilling from 40 holes was completed in areas that were previously modeled as waste but where little or no drilling data had been obtained. The results of this drilling are currently being assessed.

RECLAMATION

The biosolids reclamation project continued at Similco in 1996 under the direction of the Greater Vancouver Sewage and Drainage District's Residuals Management Group, completing year three of a five year program.

In total 3,241 dry tonnes of biosolids were applied to 33 hectares of disturbed land in 1996. The success of the biosolids application has been well demonstrated at Similco. The program will continue in 1997.

Envirogreen Technologies Ltd. commissioned and commenced treatment of hydro-carbon contaminated soils at the Similco Mine in 1996 using state-of-the-art thermal remediation technology. The Envirogreen facility treated and stockpiled 8,750 tonnes of clean soil for future reclamation use.

Of the estimated 880 hectares of disturbed land at the Similco minesite, approximately 250 hectares have been reclaimed.

Similco has a reclamation bond totaling $3.6 million to cover the estimated outstanding costs of reclamation. Projected reclamation costs will be updated in 1997.

OPPORTUNITIES FOR GROWTH

Princeton's interests in Chile will be held by a newly formed company, Aquest Minerals Corporation.

SHALLOW HOLE PERCUSSION DRILLING AT ELENITA.

DR. TOM VEHRS

Dr. Vehrs, President and Chief Operating Officer of Aquest Minerals Corporation, oversees exploration activities in Chile.

Princeton has been active in Chile since the late 1980s. Minera Princeton Chile Ltda. maintains an office in Santiago, Chile and full time exploration personnel are on staff to review and assess opportunities for property acquisition. In January 1997, Aquest Minerals Corporation was formed to hold Princeton's interests in Chile and Dr. Thomas I. Vehrs joined Aquest as President and Chief Operating Officer. Dr. Vehrs is a Professional Geologist with many years of exploration experience throughout South America and has been associated with several major mineral discoveries. He is based in Santiago, Chile.

Aquest's mission is to operate as an independent exploration and development company focused on identification, acquisition and development of attractive mineral opportunities in Chile. Its primary commodity focus is gold and copper with a preference for opportunities amenable to open pit mining and low cost heap leach processing. Aquest has acquired Minera Princeton, the holder of several gold and copper exploration properties which include several prospects in early exploration stages and one advanced stage copper project with drill indicated resources.

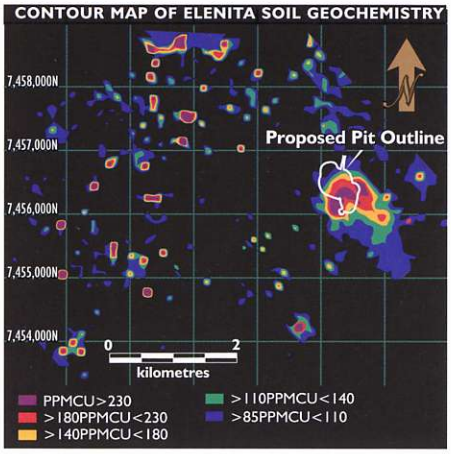
On January 28, 1997, Princeton announced that Aquest would become a publicly traded company. This step is being taken to provide Aquest with a solid financial base for its activities and to help bring market recognition to the value of the Chilean assets. Aquest will operate as an independent exploration company with Princeton continuing to hold a significant share position in Aquest.

A summary of Aquest's major exploration properties follows.

OPPORTUNITIES FOR GROWTH

In 1997 additional drilling is planned on Elenita, an advanced stage copper exploration project.

ELENITA PROJECT



The Elenita Project, located 90 kilometres northeast of Chile's mining capital of Antofagasta, is an advanced stage exploration project with a drill indicated resource containing approximately 10 million tonnes averaging 1.14% copper. The resource has good potential for expansion and is amenable to open pit mining and the production of high purity cathode copper through heap leaching, solvent extraction and electrowinning.

A total of 18,983 metres of drilling in 115 holes have been completed in the Elenita Deposit area. The drilling has defined a cluster of stratiform or manto-type mineralized bodies hosted by amygdaloidal volcanic flows and porous volcaniclastic rocks within the La Negra Formation. The mineralized mantos are vertically stacked and generally range in thickness from 2 to 30 metres. Mineralization within the mantos consists of mixed copper oxide minerals and chalcocite. Copper grades within the mantos range from 0.5% to 14%.

The Elenita Deposit remains open to the northwest and to the southeast and has good potential for expansion. Drilling has yet to be conducted outside the main exploration area on the 34 square kilometre property. In early 1996, a 260-line kilometre surface geochemical survey was completed covering the main property block. The survey successfully identified more than a dozen significant soil anomalies warranting further exploration. During the second quarter of 1996, a shallow hole percussion drilling program totaling 5,948 metres in 640 holes was carried out to further test and verify the surface geochemical anomalies. Maximum drill hole depth was 14 metres and copper values up to 0.76% were identified. Results of the shallow hole percussion drilling program provided confirmation of the surface geochemical anomalies and allowed for further prioritization of the targets. The presence of multiple samples in individual target areas containing greater than 0.1% copper indicates clearly the presence of bedrock mineralization warranting testing by reverse circulation drilling methods.

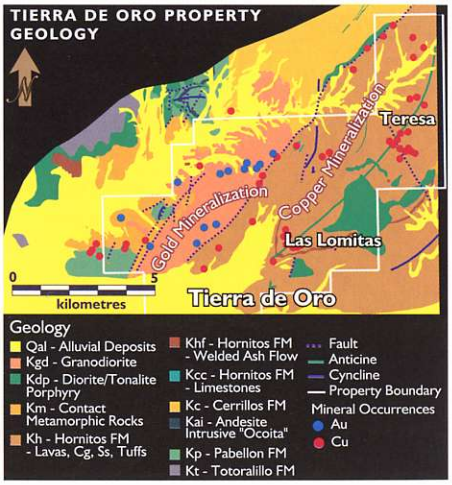
The 1997 program at Elenita will focus on drill testing the priority geochemical anomalies and on further defining the limits of mineralization at the Elenita Deposit. The soil geochemical surveys will be expanded to cover the remainder of the Elenita Property. The near term goal at Elenita is to define the potential for a minimum of 20 to 30 million tonnes of high grade copper mineralization that would be amenable to open pit mining and heap leach processing. The potential for discovery of new deposits at Elenita is high. Princeton will maintain development and operating back-in rights on Elenita from Aquest.

TIERRA DE ORO PROJECT

Tierra de Oro, previously referred to as the Jacqueline Project, is an early stage exploration project in a highly prospective area of northern Chile. Located 70 kilometres south of Copiapo, the project has potential for Candelaria-style copper/gold deposits (plus 300 million tonnes at 1% copper and 0.2-0.3 g/t gold), copper/silver-bearing manto style deposits and gold-bearing skarn deposits.

Minera Princeton holds exploration concessions covering approximately 9,300 hectares at the Tierra de Oro property. While Vancouver-based junior, International PBX Ventures Ltd. is currently earning a 75% interest in the project by funding all exploration activities, Minera Princeton retains a back-in right to earn a 51% interest in the property.

Exploration to date at Tierra de Oro has identified a number of target areas with surface manifestations of mineralization that warrant follow-up evaluations. The current program of mapping, sampling, trenching and geophysics is being funded and carried out by International PBX. Drilling is planned later in 1997.



OPPORTUNITIES FOR GROWTH

The El Milagro gold project was acquired in 1996, expanding Minera Princeton's portfolio of exploration properties in Chile.

EL MILAGRO PROJECT

EL MILAGRO PROPERTY CONCEPT TARGET

The El Milagro project is an early stage gold exploration project located in the intermountain area of central Chile approximately 300 kilometres north of Santiago. The primary target at El Milagro is a manto-style gold deposit that is amenable to bulk mining methods and heap leach processing. Preliminary exploration at El Milagro has confirmed a favourable geologic setting and the presence of gold mineralization in steeply dipping structures and veins. Areas of pervasive alteration have also been identified. Geochemical soil sampling has identified five broad anomalies with gold values ranging from 0.10 g/t to 0.85 g/t. These anomalies support the concept of manto-style mineralization.

The 1997 El Milagro program will focus on advancing the prospect to a drilling stage and initial drill testing of the manto model. The program will include district-scale geologic mapping and sampling, soil sampling, trenching and geophysical surveys prior to designing a reverse circulation drilling program.

RIO LLUTA PROJECT

The Rio Lluta Project is a copper exploration project located within the Lower Tertiary porphyry belt, a metallogenic province that controlled the emplacement of major porphyry copper deposits in northern Chile and southern Peru. The exploration target at Rio Lluta is a high grade supergene enriched zone or a high grade mineralized breccia pipe related to a large, mostly covered porphyry copper system.

Minera Princeton holds claims covering approximately 3,000 hectares in the Rio Lluta prospect area. Adjacent to Minera Princeton's ground are claims held by SCM Cooper Lluta and by Mr. David Lowell, leader of the teams that discovered the Escondida copper deposit and Arequipa Resources' Pierina gold deposit. A review of all exploration results to date suggests that if a significant deposit is present in the area, it may underlie claims held by all three parties. Consequently, a letter of intent to combine these properties has been signed and under Mr. Lowell's direction, negotiations are underway with a major mining company to carry out a multi-hole drilling program to test the potential of the Rio Lluta area to host a large, high grade porphyry copper deposit. The incoming partner will fund all programs.

NANCAGUA PROJECT

The Nancagua prospect, located 180 kilometres south of Santiago, consists of a gold and silver-bearing, low sulfidation vein and stockwork system covering an area 3,000 metres long by 700 metres wide. Potential exists for low-grade, bulk mineable, heap leachable ore as well as higher grade vein deposits exploitable by more selective mining methods, with the latter having the highest probability of defining an economic deposit.

Mineralization has been outlined at Nancagua in a 700 metre wide band over a three kilometre strike length. Swarms of sub-parallel gold-bearing quartz veins ranging from 2 to 4 metres in width and with strike lengths up to several hundred metres characterize the mineralized zone. Stockwork vein zones are locally present and range up to 100 metres in width and 300 metres in length. Two drilling campaigns have partially tested the potential at Nancagua. While results of these programs have been mixed, significant mineralized intercepts including 1.36 g/t gold over 31 metres and 9.20 g/t gold over 11 metres have been achieved.

The 1997 program will include additional surface mapping, trenching and sampling to better understand the controls of mineralization and to define future drill targets. Although initial testing of the system has not resulted in a commercial discovery as yet, the overall strength and size of the mineralized system at Nancagua supports continued exploration.

Of Financial Conditions for 1996

REVIEW OF OPERATING RESULTS 1996 COMPARED TO 1995

The Company reported a loss for the year of $16.4 million or $0.19 per share on revenues of $56.4 million, compared to earnings of $3.7 million or $0.046 per share on revenues of $52.2 million in 1995. These results were significantly impacted by the write-down for accounting purposes of the carrying value of Similco Mines Ltd. (Similco) and the increase in the provision for reclamation at Similco. As the Company could not state with certainty that the carrying value of Similco would be recovered, a write-down was necessary. The increase in the provision for reclamation takes into consideration cost increases since the previous estimate was prepared in 1993.

Similco produced 40.6 million pounds of copper during 1996 compared to 37.7 million pounds in 1995. The tonnage milled in 1996 was 7.2 million tons grading 0.331% copper compared to 9.0 million tons grading 0.270% copper in 1995. The price of copper averaged US $1.04 per pound in 1996 and mine operation revenues totalled $55.4 million. In 1995, the price of copper averaged US $1.33 per pound and mine operation revenues totalled $50.8 million. The increase in mine operations expense for 1996 compared to 1995 is a result of higher costs associated with full scale mining in 1996 compared to processing of stockpiled material in 1995. Higher depreciation and amortization costs are associated with the amortization of the Ingerbelle pre-stripping costs capitalized in 1995.

Exploration expenses reflect the continuation of the work programs on Elenita and other prospects in Chile.

1995 COMPARED TO 1994

The Company recorded consolidated net earnings for the year ended December 31, 1995, of $3.7 million compared to a loss of $5.9 million for the year ended December 31, 1994. This reversal was due to a full year of operations at Similco in 1995, compared to 4.5 months in 1994 and to the continued strength of copper prices, (the average realized price recorded by Similco was US $1.18 in 1995 and US $1.22 in 1994). Operating cost increases in 1995 compared to 1994 are a result of the full year's operations at Similco.

The 1995 and 1994 results were adversely affected by losses and write-downs of marketable securities of $670,000 in 1995 and $2.3 million in 1994.

FINANCIAL CONDITION AND LIQUIDITY

Cash from operating activities increased to $4.4 million in 1996 from $2.0 million in 1995 as a result of lower unit costs in the third and fourth quarters of operation. At December 31, 1996, the Company had a working capital deficiency of $3.0 million due to timing of project loan draws for the Huckleberry project.

During 1996, the Company raised $11,050,000 from the sales of convertible debentures, common shares, flow-through common shares and warrants exercisable into common shares. The proceeds from these issues were used to fund a portion of the Company's equity contribution to the Huckleberry project. In addition, the Company's subsidiary, Huckleberry Mines Ltd., had drawn down US $2.8 million under the Japan Group loan and $3.1 million under the loan provided by the government of British Columbia for infrastructure at Huckleberry.

During the year, preferred shareholders in Similco Resources Ltd. converted their shares into 600,000 common shares of the Company with a value of $0.31 per share, creating a contributed surplus of $6.3 million and extinguishing the minority interest.

On January 16, 1997, the Court of Appeal of British Columbia ruled against Similco in its claim for reassessment of mining taxes. A payment of $2.7 million was made in December 1996, in full settlement of taxes due and interest charged relating to this appeal.

FINANCIAL CONDITION AND LIQUIDITY (CONTINUED)

No dividends have been paid by the Company since a stock dividend of $0.06 per share was paid in 1991. The Company has no present intention of paying dividends as it anticipates that all available funds will be invested to finance the growth of its business.

The Company currently has no operating lines of credit available, due to the high cost nature of the Similco mine and its inability to sustain operations. Operating lines of credit are not likely to be made available to the Company until a reliable source of cash flow can be expected for the Company. These conditions are expected to occur after the Huckleberry mine commences production in September 1997.

RISKS AND UNCERTAINTIES

The mining industry is intensely competitive and is dominated by large companies. The Company searches for exploration prospects and seeks to acquire producing properties in direct competition with companies that possess greater financial resources and technical capabilities. There can be no assurance that the Company's mineral exploration, development and acquisition activities will be successful.

The price of copper and the value of the Canadian dollar cannot be controlled by the Company. Negative fluctuations in either metal prices or exchange rates could alter the economic prospects of operations in which the Company has an interest.

The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. The Company has mineral properties that are at an exploration stage and there can be no assurance that ore will be discovered in sufficient quantities to be commercially mined in an economic manner.

The Huckleberry mine is currently on schedule for start-up in September 1997. The Company has arranged sufficient equity and debt financing to fund its share of the development costs. Should a significant overrun arise or a delay in start-up occur, the Company has no credit facility available to fund holding or overrun costs.

Operations at the Similco mine are currently suspended and the mine is being maintained on a care and maintenance basis. A $1 million exploration program on the property is in progress and the results are currently being evaluated. In order for production to commence at Similco, a reserve base, new capital and an adequate copper price outlook for the mid to long term are required.

OUTLOOK

In February 1997, a new management team joined the Company in conjunction with the raising of $5,400,000 by way of a private placement of Special Warrants. The focus of the new management will be the successful development of Huckleberry and to grow the Company by way of acquisition.

With operations suspended at Similco, no earnings or operating cash flow will be generated by the Company until commencement of production at Huckleberry, scheduled for September 1997. In 1997, no significant exploration activities will be undertaken by the Company, other than those performed by Aquest Minerals Corp. It is intended that Aquest will become a publicly traded company during 1997. Future earnings and cashflow will be dependent upon the development and operation of Huckleberry and the success of management in its acquisition strategy.

MANAGEMENT'S STATEMENT

On Financial Reporting

The accompanying consolidated financial statements of Princeton Mining Corporation and its subsidiaries have been prepared in accordance with generally accepted accounting principles considered to be appropriate in the circumstances.

The consolidated financial statements and all of the information contained in the Annual Report are the responsibility of management and are approved by the Board of Directors of Princeton Mining Corporation. Financial and operating information appearing throughout the Annual Report is consistent with that contained in the financial statements. The consolidated financial statements of Princeton Mining Corporation and its subsidiaries are examined by Princeton's auditors, Coopers & Lybrand, whose report follows.

William H. Myckatyn, P. Eng.
President and Chief Executive Officer

Paul B. Sweeney
Senior Vice President and
Chief Financial Officer

March 20, 1997

AUDITORS' REPORT

To the Shareholders of Princeton Mining Corporation

We have audited the consolidated balance sheets of Princeton Mining Corporation as at December 31, 1996 and 1995 and the consolidated statements of earnings (loss), deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1996 and 1995 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand

Chartered Accountants
Vancouver, B.C.
March 14, 1997

CONSOLIDATED BALANCE SHEETS

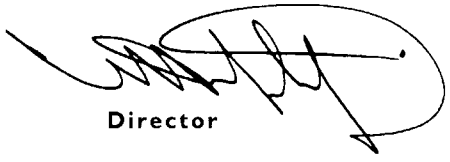
As at December 31, 1996 and 1995

(Expressed in thousands of dollars)

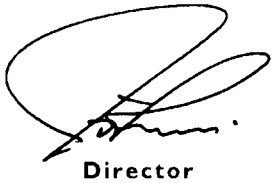
	1996	1995
ASSETS		
Current Assets		
Cash and short-term investments	$ 2,222	$ 1,849
Accounts receivable	4,042	4,453
Marketable securities (note 3)	10	551
Concentrate inventory		857
Supplies inventory and prepaid expense	1,403	6,821
	7,677	14,531
Property, Plant and Equipment (note 4)	37,515	31,326
Reclamation Deposits (note 5)	4,209	3,637
	$ 49,401	$ 49,494
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 10,218	$ 5,024
Current portion of long-term debt (note 6)	512	459
Income and mining taxes payable (notes 7 and 10(d))		3,549
	10,730	9,032
Long-Term Debt (note 6)	4,689	1,033
Reclamation Provision	3,639	2,829
Minority Interest (note 8)		6,526
	19,058	19,420
SHAREHOLDERS' EQUITY		
Share Capital (note 9)	32,470	61,203
Convertible Debenture (note 9)	8,094	
Contributed Surplus (note 8)	6,340	
Deficit	(16,561)	(31,129)
	30,343	30,074
	$ 49,401	$ 49,494

Operations, Contingencies and Commitments (notes 1, 10 and 11)

APPROVED BY THE DIRECTORS



Director



Director

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the Years Ended December 31, 1996 and 1995

(Expressed in thousands of dollars except per share amounts)

	1996	1995
Revenue		
Mine operations	$ 55,430	$ 50,768
Gain on sale of investments	651	
Interest and other income	363	1,455
	56,444	52,223
Expenses		
Mine operations	47,752	37,935
Transportation	4,768	4,461
Reclamation provision	810	
Exploration	647	1,656
Depreciation and amortization	6,034	999
Administrative and general	1,802	2,262
Interest	244	238
Loss on sale of investments		670
	62,057	48,221
	(5,613)	4,002
Write-Down of Carrying Value of Property, Plant and Equipment (note 1)	(10,701)	
Earnings (Loss) Before Taxes	(16,314)	4,002
Income and Mining Taxes (note 7)	(75)	(263)
Earnings (Loss) for the Year	$ (16,389)	$ 3,739
Earnings (Loss) per Common Share (note 9(e))	$ (0.185)	$ 0.046

CONSOLIDATED STATEMENTS OF DEFICIT

For the Years Ended December 31, 1996 and 1995

(Expressed in thousands of dollars)

	1996	1995
Deficit - Beginning of Year	$ (31,129)	$ (34,868)
Reduction of Stated Share Capital (note 9(f))	31,129	
Earnings (Loss) for the Year	(16,389)	3,739
Interest on Convertible Debentures (note 9(a))	(172)	
Deficit - End of Year	$ (16,561)	$ (31,129)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1996 and 1995

(Expressed in thousands of dollars)

	1996	1995
Cash Provided from (Used for)		
Operating Activities		
Earnings (loss) for the year	$ (16,389)	$ 3,739
Items not affecting cash -		
Depreciation and amortization	6,034	999
Reclamation provision	810	
Write-Down of carrying value of property, plant and equipment	10,701	
Loss(gain) on sale of investments	(651)	670
	505	5,408
Change in non-cash working capital from sale of 40% of Huckleberry Mines Ltd.	(1,104)	
Change in non-cash working capital	5,006	(3,398)
	4,407	2,010
Financing Activities		
Convertible debenture issued	8,094	
Common shares issued for cash	1,984	22
Common shares issued for option payment	240	
Common shares issued on acquisition of subsidiary		9,271
Project loans advanced	4,168	
Repayment of capital lease	(459)	(411)
Purchase of preferred shares held by minority interest	(186)	
	13,841	8,882
Investing Activities		
Additions to property, plant and equipment	(29,410)	(11,096)
Sale of investments	1,128	332
Proceeds on sale of 40% of Huckleberry Mines Ltd.	8,266	
Proceeds on sale of capital assets to Huckleberry Mines Ltd	2,746	
Exercise of share purchase option	(11)	
Increase in reclamation deposits	(594)	(72)
Purchase of subsidiary		(9,254)
	(17,875)	(20,090)
Increase (Decrease) in Cash and Short-Term Investments	373	(9,198)
Cash and Short-Term Investments - Beginning of Year	1,849	11,047
Cash and Short-Term Investments - End of Year	$ 2,222	$ 1,849

1. OPERATIONS

The Company (60%) and a consortium of Japanese investors (the Japan Group) (40%) jointly own Huckleberry Mines Ltd. (Huckleberry), which owns the Huckleberry mine near Houston, British Columbia. The respective interests in Huckleberry are subject to a shareholder's agreement which establishes joint control.

The Company also owns 100% of Similco Mines Ltd. (Similco), which owns the Similco copper mine near Princeton, British Columbia. As well, the Company has certain properties in Chile currently under exploration.

The Huckleberry mine currently under construction is scheduled for completion and commencement of production by October 1997. Capital costs for construction of the Huckleberry mine are estimated to amount to $137 million, of which approximately $48.8 million had been incurred by December 31, 1996, and a further $31.8 million had been committed.

Financing for construction of the mine has been arranged with the principal investors, the Japan Group, providing both equity and debt financing, together with additional equity contributions from the Company and an infrastructure loan provided by the Government of British Columbia. The financing of the mine includes:

	U.S. $ (millions)
Japan Group - loan	$ 60.0
Government - loan	11.0
Japan Group - equity	11.0
Princeton Mining Corporation	16.0
	$ 98.0

The financing arrangement should be sufficient to cover the estimated cost to complete construction of the Huckleberry mine, which at December 31, 1996, amounted to approximately $82.1 million. There can be no assurance that the total costs to complete the project will not exceed this $82.1 million estimate. In such an event, Huckleberry may require additional sources of financing. Huckleberry is economically dependent upon its shareholders for equity financing and on the Japan Group for debt financing. There can be no assurance that additional sources of financing will be available for completion of the Huckleberry project.

Upon commencement of commercial production, Huckleberry has arranged to sell 100% of the copper concentrates from the Huckleberry mine to certain Japan Group members under terms which are fixed for the first five years but which fluctuate with world copper prices.

On August 9, 1996, the Company announced plans to suspend operations at Similco. The Company was unable to complete forward sales for its 1997 copper production at economic levels. On November 15, 1996, the operations were suspended and personnel were retained to maintain the property on a care and maintenance basis. The Company is currently evaluating a long-term mine plan.

Certain assets of Similco were transferred to the Company effective December 27, 1996, at an independently appraised market value of $4,249,336. These assets were then transferred to Huckleberry at the same amount. No gain or loss was recognized on either transfer.

The property, plant and equipment and supplies inventory of Similco were written down to their net realizable value of $2,539,000, which resulted in a charge to the consolidated statements of earnings (loss) of $10,701,000, comprising $6,185,000 for property, plant and equipment and $4,516,000 for supplies inventory.

All copper concentrate produced by the Similco mine was exported to Japan and sold to Mitsubishi Materials Corporation under a long-term sales contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Similco, Minera Princeton Chile Ltda. (Minera Princeton) and Aquest Minerals Corp. (Aquest).

The Company accounts for its 60% interest in Huckleberry on a proportional consolidation joint venture basis.

Property, Plant and Equipment

Land Held for Sale

Land held for sale is carried at net realizable value.

Mineral Properties

Mineral property acquisition costs, together with property development and preproduction expenditures associated with economically recoverable reserves, are capitalized. Capitalized costs are amortized upon a property achieving commercial production, using the unit-of-production method based on proven and probable reserves. In the event of abandonment of such properties or an apparent decline in recoverable amounts below the net book value, the resulting loss is included in earnings (loss).

Mineral Exploration

Exploration expenditures associated with economically recoverable reserves are capitalized. All other exploration costs are charged to earnings (loss) as incurred.

Plant and Equipment

Plant and equipment are recorded at cost less accumulated depreciation and are depreciated over their useful economic lives using the shorter of the unit-of-production method based on proven reserves and the straight-line method. For any apparent decline in recoverable amounts below the net book value, the resulting loss is included in earnings (loss).

Capital Assets Under Construction

Capital assets under construction are recorded at cost including attributable financing costs. These costs will be depreciated upon commencement of commercial production over the useful economic life of the asset. If the useful economic life exceeds the mine life, the costs will be depreciated over the mine life using the unit-of-production method based on proven and probable reserves.

Marketable Securities

Marketable securities are carried at the lower of cost and quoted market value on an individual investment basis.

Revenue, Concentrate Inventory and Settlements Receivable

Revenue is recorded upon production and copper and precious metals in concentrates are valued at estimated net realizable value. Estimated net realizable value is based on preliminary assays, weight, commodity prices and exchange rates. Final settlements are determined by assays, weights, and exchange rates established at future dates which may vary from the amounts included in receivables and inventory at the balance sheet date. Adjustments arising from final assays, commodity prices and exchange rates are recorded on these future dates.

Production covered by designated hedge transactions is recorded at the contracted hedged price.

Supplies Inventory

Supplies inventory is recorded at the lower of average historic and replacement cost.

Translation of Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at year-end rates of exchange. Revenue and expense items are translated at actual rates of exchange realized when the transactions occur. Exchange gains and losses are included in the determination of earnings (loss).

Reclamation

Current expenditures relating to ongoing environmental and reclamation programs are charged to earnings as incurred. Estimated post-closure reclamation and site restoration costs are charged to earnings on a unit-of-production basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

Financial Instruments

The carrying values of accounts receivable, accounts payable and accrued liabilities, and long-term debt approximate their fair values.

3. MARKETABLE SECURITIES

	1996	1995
Mineral Resources Corporation (MRC) (a) -		
Common shares	$	$ 277
Special shares		130
Agate Bay Resources Ltd. (Agate Bay) (b)	10	144
	$ 10	$ 551

(a)
During 1996, the Company sold 9,213,000 common shares of MRC for net proceeds of $282,664, recording a gain of $6,274. The Company also sold 434,783 special shares of MRC during the year for net proceeds of $454,046, recording a gain of $323,611.

(b)
During the year, the Company received 20,000 shares of Agate Bay at $0.50 per share in consideration of an amount owed to the Company by Agate Bay. The Company sold 750,000 shares of Agate Bay for proceeds of $386,969, recording a gain of $243,469. The Company also exercised options on 20,000 shares at $0.55 per share. These shares were then sold for net proceeds of $15,639, recording a gain of $4,639.

Subsequent to year end, the Company sold the remaining 20,000 shares of Agate Bay for net proceeds of $15,530, recording a gain of $5,530.

4. PROPERTY, PLANT AND EQUIPMENT

1996

	Princeton	Similco	Huckleberry	Total
Cost -				
Land held for sale	$	$ 1,660	$	$ 1,660
Mineral properties and deferred costs	2,226		12,318	14,544
Plant and equipment	225	879	33	1,137
Equipment held under capital lease		1,999		1,999
Construction in progress			20,276	20,276
	2,451	4,538	32,627	39,616
Less: Accumulated depreciation	102	1,999		2,101
	$ 2,349	$ 2,539	$ 32,627	$ 37,515

1995

	Princeton	Similco	Huckleberry	Total
Cost -				
Mineral properties and deferred costs	$ 1,359	$ 17,886	$ 12,938	$ 32,183
Plant and equipment	270	14,080	164	14,514
Equipment held under capital lease		1,999		1,999
	1,629	33,965	13,102	48,696
Less: Accumulated depreciation	72	17,207	91	17,370
	$ 1,557	$ 16,758	$ 13,011	$ 31,326

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, Similco wrote down its property, plant and equipment to its estimated net realizable value, which required a provision of $6,185,148 (note 1).

Subsequent to year end, the Company sold land and equipment for proceeds of $651,800. No gain or loss was realized on this transaction.

5. RECLAMATION DEPOSITS

	1996	1995
Similco mine	$ 3,639	$ 3,572
Huckleberry mine	570	65
	$ 4,209	$ 3,637

Short-term investments with a fair value of $4,209,000 were held at December 31, 1996 as continuing security for the reclamation requirements at the Similco and Huckleberry mines. Under the terms of the reclamation permit, Similco is committed to increase the amount of reclamation deposit annually by the increase in the consumer price index for the previous year.

6. LONG-TERM DEBT

	1996	1995
Project loans –		
Japan Group	$ 2,303	$
B.C. Ministry of Employment and Investment	1,865	
Capital lease	1,033	1,492
	5,201	1,492
Less: Amount due within one year	512	459
Amount due beyond one year	$ 4,689	$ 1,033

Japan Group

The Japan Group has agreed to loan up to U.S. $60,000,000 to Huckleberry for construction of assets required for the operation of the Huckleberry mine. At December 31, 1996, the portion loaned to Huckleberry was U.S. $2,800,000, of which the Company's share is 60% or U.S. $1,680,000.

Interest is calculated at the LIBOR plus 1.2% per annum (6.8% at December 31, 1996), and is payable in U.S. dollars at least semi-annually as determined by the lender.

The principal is to be repaid in 12 equal semi-annual installments beginning two years after the initial funds are advanced to Huckleberry or six months after the initial concentrate shipment is made from the mine, whichever is earlier. The U.S. $2,800,000 drawdown occurred in December 1996.

In addition, the lenders may, at their discretion, demand repayment of principal owing of up to 80% of excess cash flow, as defined.

As collateral for the debt, the Japan Group has a first fixed charge on all assets which comprise, are utilized primarily in connection with, or are necessary for the operation of, the Huckleberry mine, except for those components financed by the loan from the B.C. Ministry of Employment and Investment, in which case they have a second fixed charge. In addition, the Japan Group holds a floating charge over all other assets of Huckleberry.

6. LONG-TERM DEBT (CONTINUED)

Government of British Columbia, Ministry of Employment and Investment

The British Columbia Ministry of Employment and Investment has agreed to loan up to $15,000,000 to Huckleberry for construction of assets required for the operation of the Huckleberry mine. At December 31, 1996, the portion loaned to Huckleberry was $3,108,277, of which the Company's 60% share amounted to $1,864,966.

Under the terms of the loan, Huckleberry will pay semi-annual installments of $1,000,000 beginning six months after the first concentrate shipment is made from the mine. This will continue until the debt is paid in full or until the ninetieth month following the first concentrate shipment, at which time all outstanding principal and interest is due.

Interest is calculated at the prime rate for each period up to the second anniversary of the first concentrate shipment from the mine (4.75% at December 31, 1996). Subsequent to that date, interest will be calculated at prime plus 4% for any period during which the average London Metal Exchange (LME) copper price is less than U.S. $1.20 and at prime plus 6% for any period during which the average LME copper price is equal to or greater than U.S. $1.20.

Collateral for the debt is provided by a specific charge over the project components financed by the loan. In addition, the Ministry has a floating charge over the assets of Huckleberry. The floating charge is subordinated to the claims of the Japan Group.

Capital Lease

Similco leases mining equipment and is committed to the following capital lease payments:

1997	$ 600
1998	550
	1,150
Less:	
Amount representing interest	117
	1,033
Less: Current portion	512
	$ 521

7. INCOME AND MINING TAXES

The tax expense of $75,000 (1995 - $263,000) comprises Large Corporations Tax expense. A deferred income and mining tax recovery at the effective rate of 44.5% (1995 - 44.5%) and corresponding deferred tax asset have not been recorded as there is no virtual certainty that the tax asset would be realized.

At December 31, 1996, the Company's consolidated tax loss carryforwards are approximately $9.9 million, which expire between 1998 and 2003. In addition, there are tax pools available, in excess of book value of assets, of approximately $37 million. These losses and tax pools are streamed by property. The benefit of these loss carryforwards and available tax pools has not been recorded in these consolidated financial statements.

8. MINORITY INTEREST

During the year ended December 31, 1994, Similco and Similco Resources (Resources) entered into a series of agreements with two third parties, whereby Similco sold certain assets to Resources and the third parties acquired 7,100 retractable, redeemable preferred shares of Resources for proceeds of $7.1 million. The retractable, redeemable preferred shares held by the minority interest are recorded net of transaction costs amounting to approximately $574,000 and were shown on the balance sheet in the prior years as minority interest of $6,526,000.

During the year, the Company received notice of retraction, whereby 600,000 shares of the Company were issued at a deemed value of $186,000 in exchange for the preferred shares of $6,154,000. The excess deemed consideration of shares issued over the book value for minority interest of $6,340,000 was recorded as contributed surplus.

9. SHARE CAPITAL

Authorized -

Unlimited common shares without par value
Unlimited Class A preferred shares without par value
$16,500,000 of 7% unsecured subordinated convertible debentures

	1996		1995	
	Number of Shares	Amount	Number of Shares	Amount
Common shares issued				
Opening balance	87,208,767	$ 61,203	74,970,244	$ 51,909
Issued for cash -				
Exercise of special warrants	4,100,000	1,838		
Elenita option payment	657,156	195		
Exercise of stock options	20,000	5	39,999	22
Acquisition of subsidiary			12,198,524	9,272
Issued for other than cash consideration -				
Shares issued in exchange for Similco Resources preferred shares	600,000	186		
Reduction of stated share capital		(31,129)		
Closing Balance	92,585,923	32,298	87,208,767	61,203
Common Shares Allotted				
Shares distributable as interest on the convertible debentures	577,738	172		
Common Shares issued and allotted	93,163,661	$ 32,470	87,208,767	$ 61,203

(a) Class A Special Warrants and Convertible Debentures

During the year, the Company completed a private placement of 9,000 Class A special warrants for net proceeds of $8,094,000. Each Class A special warrant entitled the holder to a maximum of $1,000 of 7% unsecured subordinated convertible debentures. The special warrants were exercised during the year for $9 million of convertible debentures. The debentures mature on September 23, 2001, and are convertible at any time until maturity at the holder's option into common shares at a conversion price of $0.50. The interest on the convertible debentures may be paid in cash or common shares at the Company's option. The first interest payment of $172,000 was payable at year end. Subsequent to year end, the Company issued 577,738 shares as payment of the interest.

Settlement of the debenture on the maturity date may be made at the Company's option either in cash or through the issuance of common shares. The payment of principal or interest by issuance of common shares may be completed based on a price of 95% of the weighted average price for common shares, as defined, prior to settlement.

(b) Classes B and C Special Warrants

During the year, the Company completed a private placement of 2.1 million Class B special warrants at $0.50 per special warrant and 2 million Class C special warrants at $0.50 per special warrant for gross proceeds of $2,050,000. The agents received a commission of 7% and the costs of the issuance were approximately $68,606. Each Class B special warrant entitled the holder to receive one common share and one-half of a share purchase warrant. One full share purchase warrant is exercisable into one common share any time before the fifth anniversary of the issue date at a price of $0.60 per share.

Each Class C special warrant entitled the holder to receive one flow-through common share and one share purchase warrant. One full share purchase warrant is exercisable into one common share any time before the fifth anniversary of the issue date at a price of $0.60 per share.

The special warrants were exercised during the year and 4,100,000 common shares were issued along with 3,050,000 warrants.

9. SHARE CAPITAL (CONTINUED)

(c) Elenita Option Payment

During the year, the vendors of the Elenita property were issued 657,156 shares of the Company for net proceeds of $195,646.

(d) Stock Options

During the year, options were granted and exercised as follows:

Description	Number of Shares	Exercise Price /Share	Latest Expiry Date
Outstanding - January 1, 1996	3,194,000	$ 0.24 - 1.20	October 1999
Granted	6,346,000	0.29 - 0.45	November 2001
Exercised	(20,000)	0.24	June 1996
Expired	(2,089,000)	0.30 - 1.20	December 1996
Outstanding - December 31, 1996	7,431,000	$ 0.29-1.05	November 2001

(e) Earnings (Loss) per Common Share

Basic earnings (loss) per common share is based on the weighted average number of common shares outstanding during the year of 87,376,628 (1995 - 80,891,505). The effect of common share purchase warrants, stock options and the convertible debentures is anti-dilutive and therefore has not been disclosed.

(f) Reduction of Stated Share Capital

In accordance with a special resolution of the shareholders at the Annual General Meeting of the Company held June 27, 1996, the Company reduced its stated capital for common shares by $31.1 million pursuant to paragraph 38 (1)(c) of the Canada Business Corporations Act.

10. CONTINGENT LIABILITIES

(a)

During 1993, Laurentian Bank of Canada (Laurentian) filed an application for an order that the assets of the Company were security for the debts of Cassiar Mining Corporation (Cassiar), a former subsidiary company. This application arose from a 1989 restructuring of Cassiar, as a result of which Laurentian claims it lost approximately $1.6 million following Cassiar's bankruptcy.

In September 1993, the Company filed a notice of motion for dismissal of Laurentian's application on the grounds that Laurentian has no status to bring such a motion and the court had no jurisdiction to make the order. In November 1993, the court ruled against the Company's motion. No date has been set for the hearing of that appeal or Laurentian's claim in the Supreme Court of British Columbia.

The outcome of this claim is not determinable. Management expects the Company will be successful in its defense of the claim and, accordingly, no liability has been recorded in the financial statements in connection with this claim.

(b)

The Company previously guaranteed $403,000 plus interest owing to Enterprise Newfoundland and Labrador Corporation (ENLC) by Teranov Mining Corporation (Teranov), a former subsidiary. Under the terms of the agreements under which 100% of Teranov was sold, the Company was severally indemnified by each of Black Hill Minerals Limited (Black Hill) and MRC for 50% of the indemnified amount previously guaranteed.

By a letter dated February 13, 1996, a demand for payment under the guarantee was received by the Company in the amount of $814,897. At that time, the Company notified Black Hill and MRC that a claim for this amount had been made but that it was management's position that the guarantee amount was for a maximum of $403,000.

During 1996, Deepgreen Minerals Corp. (Deepgreen) (formerly Black Hill)was placed into receivership. The Company has entered into an agreement with the receiver whereby Deepgreen will indemnify the Company for 60% of the 50% originally severally indemnified. The Company will be liable for the residual 40% of 50% of the original guaranteed amount. In addition, legal costs will be borne 50% by the Company and 50% by Deepgreen and MRC.

On September 16, 1996, a statement of claim was filed by ENLC in a Newfoundland Provincial Court. The outcome of this claim is not determinable. Management contends that actions taken by ENLC have prejudiced the ability of the Company to act on certain remedies available to the Company under the guarantee, thereby releasing the Company from all its obligations thereunder. Accordingly, no liability has been recorded in these financial statements.

10. CONTINGENT LIABILITIES (CONTINUED)

(c)

A claim has been made against Minera Princeton for U.S. $100,000 plus interest. The claim asserts that this amount was a compulsory payment under a property agreement, not an option payment. The issue is currently before the Chilean Supreme Court. The outcome of this claim is not determinable and no liability has been recorded in the consolidated financial statements in connection with this claim. Management believes that the Company will be successful in the defense of this claim.

(d)

The B.C. government issued assessment notices for mining taxes for the years 1988 and 1989, which, among other items, denied deduction in respect of the undepreciated capital cost allowance pool balances inherited from Newmont Mines Ltd. Similco filed a series of appeals of the assessments with the Supreme Court of B.C. which were decided against Similco in May 1995.

In December 1995, Similco was granted leave to appeal to the Court of Appeal of B.C. During 1996, the total balance owing was paid.

In January 1997, the Court of Appeal of B.C. ruled that the decision by the Supreme Court of B.C. would be upheld.

(e)

In 1995, the Company received notice that it had been named, among others, as a party in a class action suit in the State of Texas, claiming damages related to the alleged sale of asbestos fibre in Texas. During 1996, the plaintiffs agreed to drop the Company from this suit.

11. COMMITMENTS

(a)

As at December 31, 1996, the Company is committed to future minimum operating lease payments:

Year ending December 31, 1997	$ 907
1998	804
1999	652
2000	99
2001	16

(b)

Refer also to note 1 concerning commitments in connection with construction of the Huckleberry mine and note 6 concerning capital leases.

12. RETIREMENT PLANS

Similco maintains a defined-benefit contributory retirement plan for staff and a non-contributory plan for hourly paid employees. The following information sets out the funded status of the plans at December 31:

	1996	1995
Expected actuarial present value of benefit obligations	$ 7,168	$ 6,038
Plans' assets at fair value	7,201	5,791

13. EXPLORATION PROPERTIES

The Company has announced the formation of Aquest to hold all of its exploration interests in Chile including the Elenita, Rio Lluta, Nancagua, Tierra de Oro and El Milagro properties. The Company holds varying interests in these properties. The Company has stated its intention to have Aquest become a publicly traded company in 1997.

14. INTEREST IN HUCKLEBERRY MINES LTD.

1996

As at December 31, 1996, the Company owned a 60% interest in Huckleberry which had assets, liabilities and cash flows in respect of the year ended December 31, 1996, as follows:

Total assets	$ 64,269
Total liabilities	$ 18,145
Cash flows -	
Operating activities	$ (1,902)
Investing activities	$ (39,432)
Financing activities	$ 43,432

During 1996, the Company disposed of a 40% interest in Huckleberry to the Japan Group for U.S. $6.0 million which was applied to the carrying value of its investment.

1995 - Acquisition

Effective July 7, 1995, the Company purchased 100% of New Canamin Resources Ltd. (subsequently Huckleberry). As consideration for the purchase, the Company issued 12,198,524 common shares and transferable warrants entitling the holders to acquire an additional 9,758,159 common shares at a price of $1.05 per share to August 31, 1996 and thereafter at a price of $1.15 per share to August 31, 1997. The acquisition has been accounted for by the purchase method.

The fair value of the net assets acquired amounted to approximately $7.0 million as follows:

Total assets	$ 8,762
Total liabilities	1,751
	7,011
Purchase price excess applied to mineral properties	2,260
	$ 9,271
Consideration –	
Common shares	$ 7,807
Share purchase warrants	1,464
	$ 9,271

15. SUBSEQUENT EVENT

On February 25, 1997, the Company completed a private placement of 15,428,572 special warrants for net proceeds of $5.4 million. Each special warrant is exercisable for one common share of the Company. At closing, 30% of the funds were released to the Company with the balance to be released prior to June 30, 1997, upon receipt of the final prospectus.

FIVE YEAR SUMMARY

(Expressed in thousands of Canadian dollars)
(Restated to show discontinued operations separately)

	1996	1995	1994	1993	1992
EARNINGS:					
Revenue	$ 56,444	$ 52,223	$ 20,473	$ 47,923	$ 62,574
Mine operations	(47,752)	(37,935)	(14,924)	(48,336)	(49,745)
Transportation	(4,768)	(4,461)	(1,531)	(5,183)	(4,458)
General and administrative	(1,802)	(2,262)	(2,178)	(2,282)	(2,381)
Interest	(244)	(238)	(481)	(1,310)	(1,617)
Mineral exploration	(647)	(1,656)	(3,076)	(1,370)	(1,465)
Depreciation	(6,034)	(999)	(321)	(2,139)	(1,979)
Care and maintenance	-	-	(1,392)	-	-
Reclamation provision	(810)	-	-	(843)	(433)
Earnings (loss) from continuing operations before the following	(5,613)	4,672	(3,430)	(13,540)	496
Income, mining and other taxes	(75)	(263)	(100)	(118)	35
Write-down of carrying value and loss on sales of investments	-	(670)	(2,342)	-	-
Write-down of carrying value of Property, Plant and Equipment	(10,701)	-	-	(8,130)	-
Earnings (loss) from continuing operations	(16,389)	3,739	(5,872)	(21,788)	531
Loss from discontinued operations-	-	-	-	(1,479)	(1,998)
Loss on disposal and write-down of discontinued operations	-	-	-	(1,693)	-
Net earnings (loss)	$ (16,389)	$ 3,739	$ (5,872)	$ (24,960)	$ (1,467)
Capital expenditures	$ 29,530	$ 11,096	$ 2,681	$ 1,237	$ 1,875
Long-term debt	$ 4,689	$ 1,033	$ 1,492	-	$ 12,000
Similco Statistics					
(1996 - 10 1/2 months, 1994 - 4 1/2 months, 1993 - 11 months)					
Ore Milled - tons	7,154,000	8,958,000	3,034,000	7,416,000	8,132,000
Waste Removed - tons	4,811,000	7,955,000	-	6,553,000	8,828,000
Copper Produced - pounds	40,630,000	37,694,000	12,269,000	51,991,000	56,667,000
Gold Produced - ounces	29,422	23,682	7,392	14,181	16,039
Silver Produced - ounces	85,943	95,565	32,829	370,129	314,490

Annual Meeting of Shareholders will be held on May 22, 1997, in the Cypress Room at the Hyatt Regency Hotel, 655 Burrard Street, Vancouver, British Columbia at 10:00 a.m.

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Williams Lake, B.C.
President and Chief Executive Officer

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Vancouver, B.C.
Chairman

Terence S. Ortslan
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Mining Industry Consultant

Paul B. Sweeney
Williams Lake, B.C.
Senior Vice President
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Vice President Operations

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Vice President Administration,
Secretary and Comptroller

Andrew Nichols, C.A.
Treasurer

AUDIT COMMITTEE

J.C. O'Rourke
T.S. Ortslan
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The Toronto Stock Exchange

SECURITIES LISTED

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Warrants	("PMC.WT")

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