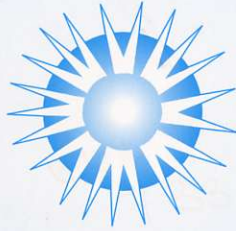
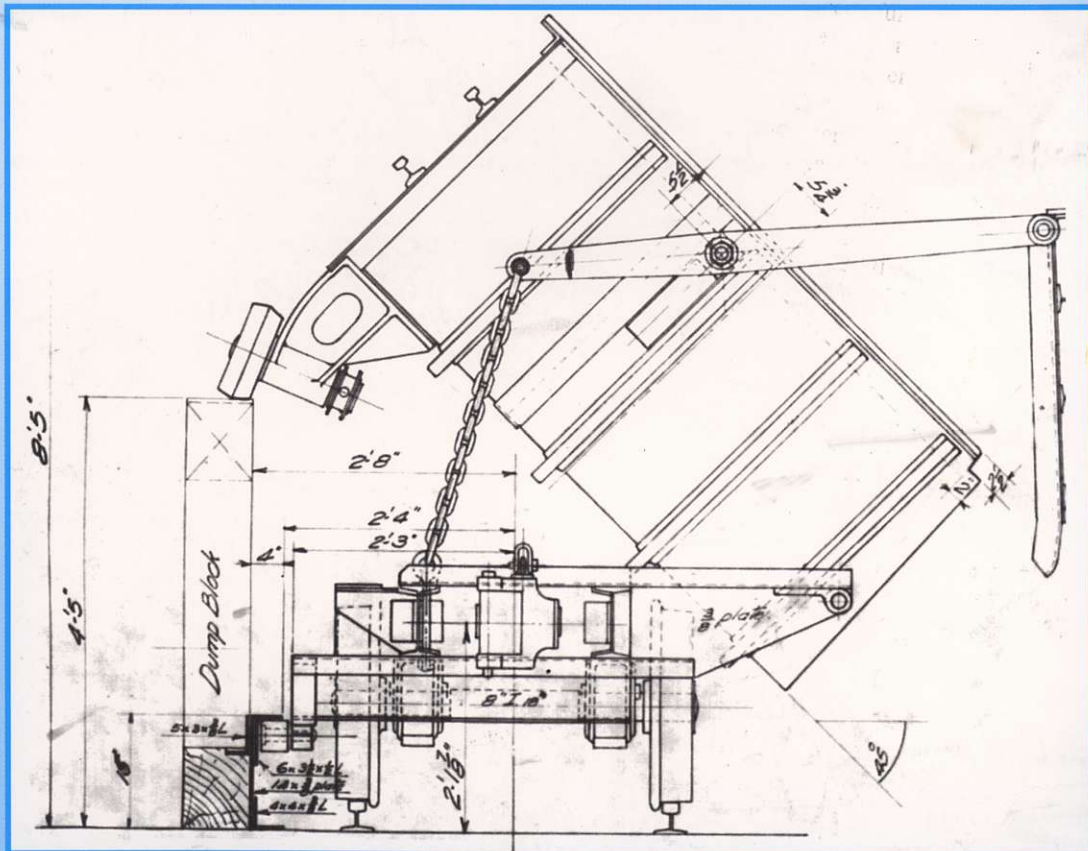


KETTLE RIVER Resources Ltd.



1995 - 1996
Annual Report





CORPORATE SUMMARY

1995 - 1996 HIGHLIGHTS

EXPLORATION

The geology department is now utilizing computer systems for data retrieval to assist in the exploration of prospective properties.

During the past year Kettle River participated in three areas having excellent potential for economic gold and diamond deposits.

In Southern British Columbia, Kettle River has a strong land position with six active projects. Extensive exploration continues on our new gold discovery on the Summit property near Greenwood. In addition, new targets are emerging from ongoing evaluation and compilation of data.

In Central British Columbia extensive research and analysis identified a large area on the Silver Queen property south of Houston which looks favorable for hosting bulk tonnage mineralization.

Diamond exploration was active this year on the DHK properties in the Lac de Gras area of the Northwest Territories. Operated by Kennecott Canada Inc., a 6.8 tonne bulk sample was produced.

FINANCIAL

YEARS ENDED APRIL 30	1996	1995
Working Capital		
Cash and Securities	\$2,621,585	\$3,132,526
Long Term Debt	NIL	NIL
Total Assets	\$4,794,032	\$4,969,120
Shareholders' Equity	\$8,002,006	\$7,897,222
Common Shares Issued (Net of buy back)	4,362,611	4,268,111

During the twelve month period to April 30, 1996 approximately \$400,000 was spent on property review and exploration - almost double that of 1995. Administration expenses were reduced to less than half of the previous year. 180,000 shares were issued during the year for proceeds of \$214,000.

HEAD OFFICE

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THE TORONTO STOCK EXCHANGE - KRR

Please note (604) telephone area code changes to (250) as of October 19, 1996.

TABLE OF CONTENTS

President's Report	1
Exploration Review	2
Gold Exploration	
- Southern BC	2
- Central BC	4
Diamonds	
- Northwest Territories	5
- Saskatchewan	5
Southern BC Claim Map	8
Auditors Report	10
Financial Report	11
Corporate Data	inside back



REPORT TO SHAREHOLDERS

PRESIDENT'S REPORT

Mining pioneers tested for ore in outcrop without the benefit of mineralization models that can predict hidden ore lying beneath barren rocks, or gold so fine it can only be located by assay. The seasoned veterans relied on knowledge gleaned from years of prospecting in the bush. While often bang-on with their choice of sites, these miners and prospectors often abandoned sites because they lacked the technical wizardry necessary for detecting hidden treasures.

Today discoveries result from traditional expertise, systematic exploration and the utilization of advanced mining technology. And so, today Kettle River's exploration department has a new look, incorporating high-end electronic equipment and expertise. Layers of satellite imagery, geochemistry, geophysics, geology, and proprietary data are digitized and entered into a customized computer system. This provides for smoother data retrieval, and for easier adaptation of varying geological models. The Dominion property, for example, was discovered through a combination of revamped digitized ore deposit models and satellite imagery data. Our gold discovery at the former Summit City copper camp also benefited from Kettle River's data retrieval system.

During the past year Kettle River participated in three areas having excellent potential for economic gold and diamond deposits.

Kettle River's main focus of exploration for gold is in the highly mineralized Greenwood area in south central British Columbia, considered likely to host million ounce gold ore bodies. Initial successes located new discoveries of multiple ounce gold in the shadow of old headframes. We are revisiting these areas and will thoroughly prospect for untested gold horizons.

The second area of exploration is in central British Columbia. The use of a sophisticated alteration identification technique located an untested, higher temperature zone in the Owen Lake/Silver Queen camp.

This discovery once again benefited from historic data representing millions of dollars in expenditures and is ideal for the new look program of Kettle River Resources' exploration department.

Diamond exploration, our third area of focus, was active this year on the DHK properties in the Lac de Gras area of the Northwest Territories. Kennecott Canada Inc. produced a 6.8 tonne bulk sample from DO18 diamond bearing pipe with disappointing results. However, exploration continues elsewhere on the property. The DHK project is an added bonus, as there appears to be no value reflected in the present share price.

The management of Kettle River is fortunate to have geological expertise and experience, high tech equipment and an excellent accounting and support staff. All projects are carefully budgeted and our good fiscal management achieves a premium value for every dollar spent. Our selection of current properties and programs for the coming year promises to be rewarding for the shareholders.

Kettle River's healthy financial position in excess of \$2 million working capital provides funds for current budgeted programs, with equity financing sought when required for any large exploration programs.

George O.M. Stewart
President
August 13, 1996

Above right: The rusty float boulder that George Stewart is standing on is a foreign ore type suspected to be from the untested high temperature zone, Silver Queen property.



George Stewart

"The management of Kettle River is fortunate to have geological expertise and experience, high tech equipment and an excellent accounting and support staff. All projects are carefully budgeted and our good fiscal management achieves a premium value for every dollar spent."



REVIEW OF ACTIVITIES

In southern British Columbia, Kettle River has a strong land position with six active projects. We are encouraged by our gold discovery on the Summit property, near Greenwood. In addition, new targets are emerging from ongoing evaluation and compilation of data.

EXPLORATION

GOLD - SOUTHERN BRITISH COLUMBIA

SUMMIT PROPERTY (BLUEBELL) - NEW DISCOVERY

The Summit property near Eholt (Bluebell-Pac D) is the site of a new gold discovery, the result of a follow-up to anomalous gold in a soil survey. Gold mineralization hosted in silicified limestone appears controlled by both structure and stratigraphy. Initial trenching revealed a 30 foot wide zone, averaging 0.287 oz/t gold. Higher grades to 3.27 oz/t were encountered in this zone.

The discovery outcrop is within 500 feet of the R.Bell copper skarn mine. This mine produced several hundred tons of greater than 7% copper near the turn-of-the-century. Continued exploration of this area will determine the size and potential of the gold discovery.

Field workers are evaluating numerous other targets existing on the property, including the historic B.C. Mine site.

ORO DENORO PROPERTY (BLUEBELL)

This area is adjacent to Summit and includes the historic copper-gold Oro Denoro and Emma mines. A thorough re-evaluation of the area in 1996 shows that at least some of the gold in the system is a late event, post-dating skarn mineralization, and is controlled by steep, north trending Tertiary faults.

A recently discovered area of epithermal quartz lies along one such structure. South of this, on apparently the same structure, gold grades in excess of 2 oz/t have been identified. Previous work in the area was specific to skarn type mineralization. The newly discovered gold targets are being prospected and additional work is preparing these targets for drill testing.

DOMINION PROPERTY

Regional Landsat TM image analysis identified a large, circular feature, interpreted as a vegetation stress zone. A gold anomaly identified in regional stream sediments added to the worthiness of acquiring this property.

Showings on the Dominion property are occurring in Permo-Triassic rocks similar to those hosting mineralization in the Phoenix-Summit area near Greenwood and in the Lamfoot/Crown Jewel areas of northern Washington. There is some evidence of previous work during the 1970s, but no record of any recent, thorough exploration.

Preliminary ground work is underway which could result in identification of drill targets by late 1996.



Left: Trenching the Summit gold discovery. Initial trenching revealed a 30 foot wide zone, averaging 0.287 oz/t gold.



EXPLORATION

GOLD - SOUTHERN BRITISH COLUMBIA

SUNNY PROPERTY

Acquired in 1995, the Sunny property east of Greenwood contains a known skarn zone in Permian Knob Hill Group rocks. Prospecting and mapping teams are evaluating a regional airborne survey showing a large untested magnetic anomaly associated with a quartz diorite intrusive contact. The potential for gold/copper in skarn or structurally controlled zones is being tested.

LACE PROPERTY

The discovery of gold in silicified limestone distal to known copper skarn mineralization on the Summit property resulted in the re-evaluation of the camp to identify other areas with similar potential. The Lace claims were staked to cover an area of known Triassic limestone west of Greenwood and adjacent to the Copper Camp and Deadwood copper-gold skarn deposits. Anomalous gold occurs in creeks draining the property and numerous old pits in quartz-limestone breccia are referenced.

TAM O'SHANTER

The majority of exploration funds expended during the past year was on this property west of Greenwood. The Wild Rose zone is a major thrust fault along which a gold bearing quartz vein occurs. Drilling during the past year intersected the Wild Rose structure in 11 of the 14 holes with widths ranging up to 2.9 meters and grades of 0.64 oz/t (20.16 g/t) gold.

Testing of the newly discovered alteration zone between the Golden Fleece and Laocoon areas was not conclusive.

Results from an adjacent underground development program east of our property will assist plans for work in 1997. The drill program results are significant and further work is required to test the potential of this area.

ATTWOOD PROPERTY (100% KRR) AND BOMBINI OPTION

An option agreement was made with Samuel Bombini on the Croesus-Johannesberg property, adjacent to Kettle River Resources' Attwood claims. The property is underlain by Permian Attwood Group rocks hosting several occurrences of stratabound massive pyrite-pyrrhotite mineralization, with local anomalous copper, zinc and gold values. Initial mapping and rock sampling is complete and areas requiring follow-up are defined.

PHOENIX TAILINGS

The Phoenix tailings were drilled and the samples tested by a metallurgical lab. Flotation results were better than we anticipated but the head grade values do not encourage further work at the present gold prices.

Right: Sonic drill testing the Phoenix Tailings. The undisturbed sample is being deposited in the sample bag.





REVIEW OF ACTIVITIES

Extensive research and analysis have identified a large area on the Silver Queen property which looks favorable for hosting bulk tonnage mineralization.

EXPLORATION

GOLD - CENTRAL BRITISH COLUMBIA

SILVER QUEEN PROPERTY (100% NEW NADINA EXPLORATIONS)

Through an agreement with New Nadina, Kettle River Resources initiated an exploration program for bulk tonnage gold mineralization at the Silver Queen property south of Houston. Soil sampling and the geological mapping (which included detailed alteration mapping using portable infrared spectrometer technology) identified a large area about 1 kilometre south of the known polymetallic veins which appears favourable for hosting bulk tonnage mineralization. Little previous work has been done in this area.

An initial 3,000 foot diamond drill program has been completed and an area of strong silica stockwork veining identified, supportive of a bulk tonnage type target. Follow-up drilling is required to test this zone and other areas of favorable structure and alteration. Because of the very large area to be evaluated, the lack of outcrop and the depth of overburden, an extensive drilling program is required to test the region.

Defined reserves in the number 3 vein system include:

South End Zone
440,000 tons
0.24 oz/t gold
11.7 oz/t silver
7.6% zinc

Ore reserves contain significant gallium, germanium, cadmium and indium credits.

Kettle River is the manager of exploration at the Silver Queen property and is a shareholder of New Nadina Explorations Limited.

SUMMARY OF OTHER PROPERTIES

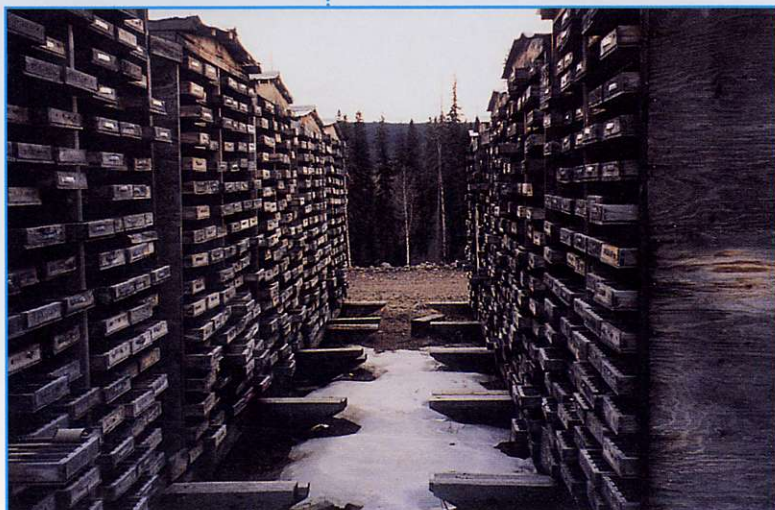
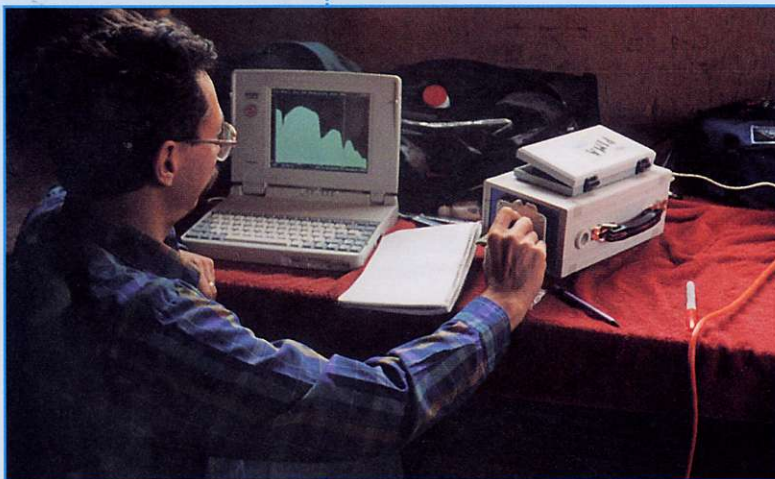
Property submissions are being received and evaluated on an ongoing basis which could lead to additional acquisitions within areas of active work as well as in new region areas.

Projects presently inactive are Phoenix, the Phoenix tailings, and Rads (all gold-copper targets).

Programs planned for 1997 include Haas Creek (talc) and Sil (silica-gold).

Properties abandoned during the year are Perky, March Creek, Kim Camp in southern B.C. and the SGN#1 in Manitoba.

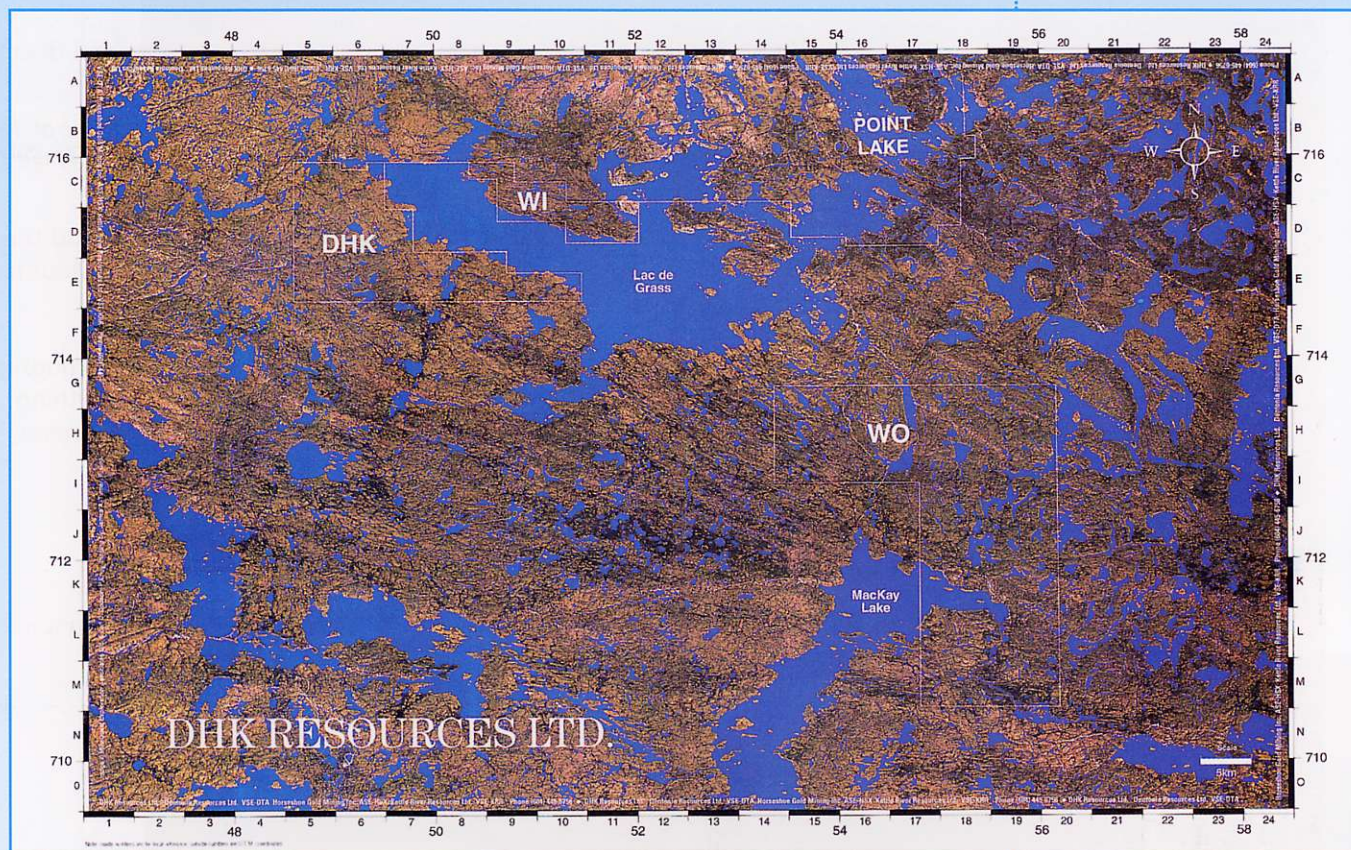
Work is ongoing both on the site and in the office. Above left: Company geologist testing outcrop and core samples on site with the PIMA alteration test unit. An illite rich sample is portrayed on the screen. Bottom left: Old drill cores such as these on the Silver Queen project are often a source of overlooked clues to hidden ore.





EXPLORATION

DIAMONDS - CANADA



NORTHWEST TERRITORIES

Kettle River owns 11.67% interest in 208,000 acres of the DHK properties in the Lac de Gras and McKay Lake areas. There are five known diamond bearing pipes on the three claim blocks (W0, W1 and DHK).

These claims are adjacent to the Diavik Diamond Mines and have the same operator (Kennecott/CRA). The joint venture partner Aber also has an interest in the DHK project.

In late spring of 1996 the DO18 pipe was partially bulk sampled by large diameter drill core. A 6.8 tonne sample was tested with disappointing results. Kennecott Canada Inc. continues exploring the DHK properties with till sampling, geophysics and follow-up drilling.

SASKATCHEWAN

Kettle River operates a 50/50 JV with New Nadina Explorations Limited. Geophysical surveys were completed over claims and several targets identified for drill testing. While there was no active work in 1996, claims of interest are in good standing.

Above: Satellite view of the DHK properties in the Lac de Gras and McKay Lake regions of the Northwest Territories.

Our favorable proximity to economic diamond projects and ongoing exploration on the DHK properties provides some of the greatest existing potential in the entire region.



HISTORICAL SIGNIFICANCE

THE 1916 GRANBY COMPANY ANNUAL REPORT

The 1916 Granby Company Annual Report on outside activities mentioned that Granby engineers examined several properties in adjoining Washington state. The engineers reported on the Lamefoot claim near Curlew Lake and stated that the tonnage and grade of two small orebodies was not sufficient to justify development costs.

In the early 1990's Echo Bay drilled between the two small ore bodies and discovered the Lamefoot Gold Mine which is producing today.

The Granby workers examined the Gold Axe claim near Chesaw in the summer of 1916 and although the creek draining the claim had gold values in the gravel, it was felt that it was "improbable that any tonnage will be met with."

Today reserves of 8.5 million tons at 0.182 oz/t gold have been defined and the Crown Jewel deposit is currently being placed into production by Battle Mountain Gold Company and Crown Resources.

These significant discoveries were within a camp considered well and thoroughly prospected and clearly show that the oldtimers did not, in fact, find everything. As has been oft repeated, the best place to look for a mine is near an old mine - this is the philosophy of Kettle River.

Below: A photograph of the Phoenix mining area near Greenwood, as it appeared in the 1916 Granby Company Annual Report.





SATELLITE IMAGERY

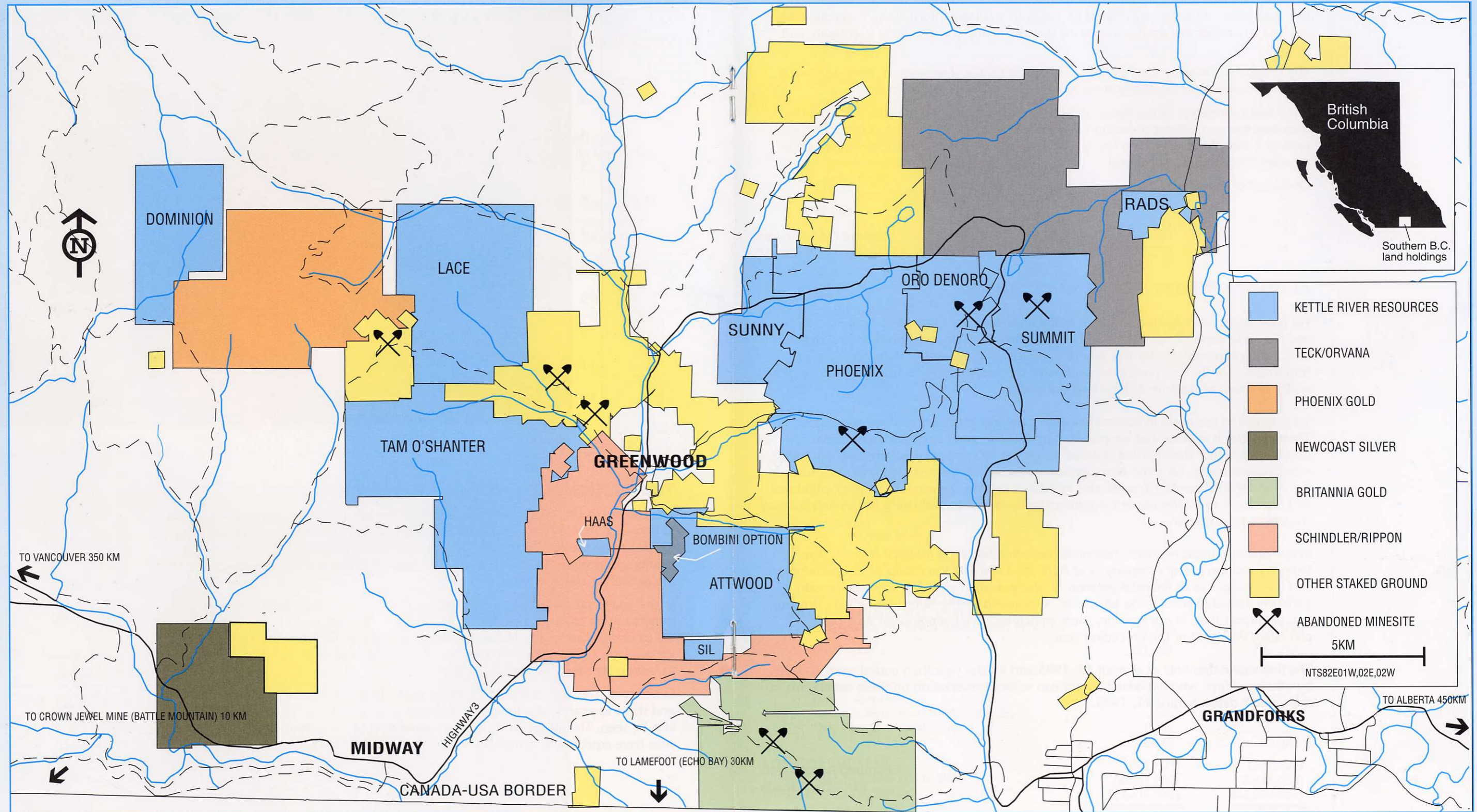


THE GREENWOOD CAMP AS VIEWED FROM SPACE

The use of satellite images represents one of the latest tools in mineral prospecting. In conjunction with computer technology and varying frequencies of reflected light, much can be learned from these images. The technology exists to discern subtle changes in geology, alteration and vegetation. The results of these findings can be a major tool for the prospector.

In the image presented here, comparisons can be drawn from the areas of known mineralization to other areas under investigation. Working with experts in imaging we can readily see faults, intrusives and structurally deformed areas. By studying various light frequencies from radar to visible light we can learn a great deal prior to setting foot on the ground.

In this area, the importance of the great thrust faults to mineralization is well-known and these appear on the image. Intrusives and structures can be important and can also be seen. The image study is then turned over to consultants, expert in this field who have equipment to manipulate the data for clues leading to a hidden ore body.



Above: Land Holdings in Southern British Columbia as of July 1996.



FINANCIAL REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information contained in the annual report have been prepared under management supervision. They are in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information. Procedures are in place to provide reasonable assurance that the financial information is accurate and reliable.

The Company's independent auditors, appointed by the shareholders, have assisted in the presentation and expressed their opinion on the financial statements.

The Audit Committee of the Board of Directors consists of three directors. Two of the members are non officers therefore considered outside directors. This committee has reviewed with the auditors the financial statements and related financial matters prior to submitting for Board approval.

On behalf of the Board,

George O.M. Stewart
President

AUDITORS REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of Kettle River Resources Ltd. as at April 30, 1996 and the statements of operations and deficit, changes in financial position and deferred exploration expenditures for the year 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 audit.

We conducted our audit 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 financial statements present fairly, in all material respects, the financial position of the company as at April 30, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

The financial statements as at April 30, 1995 and for the year then ended were audited by other auditors, who expressed an opinion without reservation on these statements in their report dated August 11, 1995.

K P M G

Chartered Accountants
Kelowna, Canada

July 30, 1996



FINANCIAL REPORT

BALANCE SHEETS

AS AT APRIL 30, 1996 and 1995

	1996	1995
ASSETS		
CURRENT ASSETS		
Cash and term deposits	\$2,283,297	\$2,570,804
Accrued interest and other accounts receivable	70,516	110,830
Marketable securities (Note 3)	254,553	423,150
Prepaid expenses	13,219	27,742
	<u>2,621,585</u>	<u>3,132,526</u>
CAPITAL ASSETS (Note 4)	96,243	81,159
MINERAL PROPERTIES (Note 5)	<u>2,076,204</u>	<u>1,755,435</u>
	<u>\$4,794,032</u>	<u>\$ 4,969,120</u>
LIABILITIES and SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>\$22,590</u>	<u>\$36,753</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	8,002,006	7,897,222
Deficit	<u>(3,230,564)</u>	<u>(2,964,855)</u>
	<u>4,771,442</u>	<u>4,932,367</u>
	<u>\$4,794,032</u>	<u>\$4,969,120</u>

On behalf of the Board:

Director

GEORGE O.M. STEWART

Director

ELLEN CLEMENTS

STATEMENTS OF OPERATIONS AND DEFICIT

YEARS ENDED APRIL 30, 1996 and 1995

	1996	1995
ADMINISTRATIVE EXPENSES		
Advertising & promotion	\$ 36,517	\$ 124,915
Accounting, audit & legal	29,583	74,991
Amortization	3,725	2,745
B.C. Capital Tax	8,740	10,876
Licenses & filing fees	17,484	30,846
Management fees and salaries	92,990	176,922
Office & sundry	16,608	33,706
Printing	12,697	35,417
Rent	4,130	8,325
Telephone	11,949	21,861
Transfer agent fees	10,699	13,348
Travel	26,392	66,653
Wages and benefits	<u>25,390</u>	<u>72,537</u>
	296,904	673,142
PROPERTY INVESTIGATION COSTS	45,119	19,678
MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES WRITTEN-OFF	<u>89,958</u>	<u>93,438</u>
TOTAL EXPENSES	<u>431,981</u>	<u>786,258</u>
LESS INCOME		
Interest	162,102	205,250
Rental and sundry	2,355	6,000
Gain on sale of marketable securities	426	44,805
Gain on sale of capital assets	<u>1,389</u>	-
	<u>166,272</u>	<u>256,055</u>
LOSS FOR THE YEAR	(265,709)	(530,203)
DEFICIT, BEGINNING OF YEAR	<u>(2,964,855)</u>	<u>(2,434,652)</u>
DEFICIT, END OF YEAR	<u>\$(3,230,564)</u>	<u>\$(2,964,855)</u>
LOSS PER SHARE	<u>(\$0.06)</u>	<u>(\$0.12)</u>

The accompanying notes form an integral part of these financial statements.



FINANCIAL REPORT

STATEMENTS OF CHANGES IN FINANCIAL POSITION

YEARS ENDED APRIL 30, 1996 and 1995

	1996	1995
CASH PROVIDED BY (USED IN) OPERATIONS		
Loss for the year	\$(265,709)	\$(530,203)
Items not involving cash		
Amortization	3,725	2,745
Gain on sale of marketable securities	(426)	(44,805)
Gain on sale of capital assets	(1,389)	-
Mineral properties and deferred exploration expenditure written-off	<u>89,958</u>	<u>93,438</u>
	(173,841)	(478,825)
Proceeds on the sale of marketable securities	410,560	224,637
Purchase of marketable securities	(241,537)	(175,681)
Changes in non-cash operating working capital	<u>40,674</u>	<u>(177,245)</u>
	<u>35,856</u>	<u>(607,114)</u>
FINANCING		
Purchase of treasury shares	(109,216)	(286,624)
Shares issued for cash	<u>214,000</u>	<u>-</u>
	<u>104,784</u>	<u>(286,624)</u>
INVESTMENTS		
Mineral property acquisition costs	(19,182)	(64,470)
Deferred exploration expenditures, net of amortization of capital assets of \$ 9,145 (1995 - \$2,758)	(382,400)	(214,086)
Purchase of capital assets	(31,315)	(3,509)
Proceeds on the sale of capital assets	<u>4,750</u>	<u>-</u>
	<u>(428,147)</u>	<u>(282,065)</u>
DECREASE IN CASH	(287,507)	(1,175,803)
CASH AND TERM DEPOSITS, BEGINNING OF YEAR	<u>2,570,804</u>	<u>3,746,607</u>
CASH AND TERM DEPOSITS, END OF YEAR	<u>\$ 2,283,297</u>	<u>\$2,570,804</u>

STATEMENTS OF DEFERRED EXPLORATION EXPENDITURES

YEARS ENDED APRIL 30, 1996 and 1995

	1996	1995
EXPENDITURES		
Assessment	\$ 4,450	\$ 2,420
Consulting	74,400	85,015
Amortization	9,145	2,758
Exploration costs	264,814	92,386
Field supplies	12,448	2,335
Miscellaneous	1,621	238
Rent	10,864	15,238
Subcontract & benefits	-	3,592
Supplies and repairs	1,363	60
Taxes	1,832	2,350
Telephone	520	590
Travel & accommodation	<u>10,088</u>	<u>9,862</u>
TOTAL EXPENDITURES FOR THE YEAR	391,545	216,844
PREVIOUS YEARS' EXPENDITURES WRITTEN-OFF DURING THE YEAR	<u>(48,685)</u>	<u>(78,663)</u>
NET CHANGE DURING THE YEAR	342,860	138,181
DEFERRED EXPLORATION EXPENDITURES, BEGINNING OF YEAR	<u>1,387,322</u>	<u>1,249,141</u>
DEFERRED EXPLORATION EXPENDITURES, END OF YEAR	<u>\$1,730,182</u>	<u>\$1,387,322</u>

The accompanying notes form an integral part of these financial statements.



FINANCIAL REPORT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 1996 and 1995

1. OPERATIONS

The company, directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration expenditures is dependent upon the existence of economically recoverable reserves, confirmation of the company's interest in the underlying mineral claims, the ability of the company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Marketable Securities

Marketable Securities are stated at the lower of cost and quoted market value.

b) Capital Assets

Capital Assets are stated at cost less accumulated amortization. Amortization of capital assets is recorded on the declining balance basis at the rates indicated in Note 4 and is allocated between operating activities and deferred exploration expenditures based on the nature of the asset and the relative percentages of its use.

c) Mineral Properties and Deferred Exploration Expenditures

Acquisition costs and exploration expenditures relating to mineral properties are deferred until the properties are brought into production, at which time they are amortized over the estimated life of the ore body to which they relate or until the properties are abandoned or sold or management determines that the mineral property is not economically viable or there is a permanent impairment in value, at which time the deferred costs are written off. Payments received for exploration rights on the Company's mineral properties are treated as cost recoveries and are credited to reduce the cost and deferred exploration expenditures related to the mineral claims with any excess on an aggregate basis, credited to income. Option payments are recorded as incurred and are not accrued. Ongoing reclamation and site restoration costs including site maintenance and caretaking are expended when incurred. Amounts shown for mineral properties & deferred exploration expenditures represent costs to date and do not necessarily reflect present or future values.

d) Loss per Share

Basic loss per share has been calculated on the basis of the weighted average number of shares outstanding during the years. The effect of common share options is anti-dilutive and therefore loss per share on a fully diluted basis has not been disclosed.

3. MARKETABLE SECURITIES

	<u>1996</u>	<u>1995</u>
Shares of public companies	\$254,553	\$129,070
Canadian provincial and corporate bonds	-	<u>294,080</u>
(Market value at April 30, 1996, \$402,970; 1995, \$405,526)	<u>\$254,553</u>	<u>\$423,150</u>

4. CAPITAL ASSETS

	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 1996</u>	<u>Net 1995</u>
Land	-	\$15,000	-	\$15,000	\$15,000
Building	4%-5%	72,550	\$21,111	51,439	53,721
Mining equipment	30%	108,130	90,781	17,349	2,138
Office equipment	20%	45,171	32,933	12,238	9,931
Trailer	30%	21,861	21,686	175	251
Automobiles	30%	<u>5,417</u>	<u>5,375</u>	<u>42</u>	<u>118</u>
		<u>\$268,129</u>	<u>\$171,886</u>	<u>\$96,243</u>	<u>\$81,159</u>

5. MINERAL PROPERTIES

	<u>Acquisition Costs</u>	<u>Deferred Exploration Expenditures</u>	<u>1996 Total</u>	<u>1995 Total</u>
Greenwood Area Properties (a)	146,320	1,278,757	\$1,425,077	\$1,245,463
Tam O'Shanter (b)	51,844	266,302	318,146	132,982
Perky Property (c)	-	-	-	1,889
DHK Syndicate - NWT (d)	-	135,839	135,839	117,502
Saskatchewan/Manitoba/BC (e)	<u>62,758</u>	<u>49,284</u>	<u>112,042</u>	<u>172,499</u>
	260,922	1,730,182	1,991,104	1,670,335
Investment in DHK Resources Ltd. (d)	<u>85,100</u>	-	<u>85,100</u>	<u>85,100</u>
	<u>\$346,022</u>	<u>\$1,730,182</u>	<u>\$2,076,204</u>	<u>\$1,755,435</u>



FINANCIAL REPORT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 1996 and 1995

5. MINERAL PROPERTIES continued

- a) Greenwood Area Properties (100%)
The company owns a 100% interest in certain properties in the Greenwood Mining Division of British Columbia including the Phoenix/Canbec, Bluebell/Oro Denoro (Summit), Shickshock Sailor Boy (Rad Group), Attwood, Haas Creek and Sil properties.
- b) Tam O'Shanter (100%)
The company continues to explore this property which consists of approximately 24 square kilometres and is located west of Greenwood B.C.
- c) Perky Property.
Costs of this property, located in the Osoyoos Mining Division, were written off during the year as the property was considered to be of no economic value.
- d) DHK Syndicate - Diamond Exploration
Kettle River Resources Ltd., through DHK Resources Ltd. (DHK), registered in the Northwest Territories and British Columbia, (owned 1/3 each by Kettle River Resources Ltd., Dentonia Resources Ltd. and Horseshoe Gold Mining Inc.) acquired an interest in approximately 208,000 acres of claims in the Lac de Gras area in the Northwest Territories. By an option agreement dated Sept. 16, 1992, DHK granted Kennecott Canada Inc. (Kennecott) the right to acquire a 65% interest in the claims.

In September 1993, Kennecott earned its 65% interest in the property having spent \$1.5 million and making \$500,000 in cash payments triggering a Joint Venture agreement. In the event of a positive production decision and Kennecott placing the first mine into production, Kennecott will loan DHK's share of development costs to the DHK companies at an interest rate of prime plus 2% until positive cash flow is attained. During the payback period, DHK will receive a minimum of 10% of production proceeds, which will increase to 35% after payback. DHK has signed a Marketing Agency Agreement giving Kennecott the right to sell the product as extra collateral for any amounts owing them when a mine is brought into production. In the event of any mine expansion or additional mining operations, DHK companies and Kennecott will fund development in accordance with their pro rata interests. The company's 1/3 interest in DHK represents an 11 2/3% interest in the DHK property.

DHK has agreed to extend an option to allow Kennecott to earn an increased percentage interest on the WO Claim block for certain commitments. If exercised, the DHK interest on this block will reduce from 35% to 27.6%.

- e) Saskatchewan/Manitoba/BC -(50% J/V New Nadina Explorations Limited)
The company, through a joint venture agreement, holds a 50% interest in certain mineral properties in Saskatchewan, Manitoba and British Columbia.

6. SHARE CAPITAL

- a) Authorized: 50,000,000 common shares without par value
b) Issued:

	1996		1995	
	No. of Shares	Amount	No. of Shares	Amount
Opening balance	4,438,611	\$8,486,860	4,438,611	\$8,486,860
Issued for cash:				
- private placement	160,000	192,000	-	-
- exercise of stock options	20,000	22,000	-	-
Ending balance	4,618,611	8,700,860	4,438,611	8,486,860
Less treasury shares at cost	(256,000)	(698,854)	(170,500)	(589,638)
	<u>4,362,611</u>	<u>\$8,002,006</u>	<u>4,268,111</u>	<u>\$7,897,222</u>



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 1996 and 1995

6. SHARE CAPITAL continued

c) Directors' and Employees' Stock Option Plan

The Company has a Directors' and Employees' Stock Option Plan ("Plan") that provides for the granting of options to directors and employees to purchase common shares. The exercise price per share for each option granted under the plan shall be determined by the Board of Directors but shall not be lower than the closing market price of the shares on the business day immediately prior to the date of such determination. The aggregate number of shares that may be issued from time to time under the plan shall not exceed 429,340 shares and the number of shares subject to option for any one person may not exceed 5% of the Company's common shares issued and outstanding at any time. Options granted under the plan may have a term of up to ten years. At April 30, 1996 options to purchase 243,600 shares were outstanding and therefore 185,740 shares are available to be granted under the terms of the plan. Options outstanding at April 30, 1996 are as follows:

Issued to:	Outstanding April 30, 1995	Granted during 1996	Exercised during 1996	Canceled or Expired in 1996	Outstanding April 30, 1996	Exercise Price per Share	Expiry Date
Directors	241,100	-	(10,000)	(32,500)	198,600	\$1.10	April 26, 1998
Employees	50,000	45,000	(10,000)	(40,000)	45,000	\$1.10	August 30, 2000
	<u>291,100</u>	<u>45,000</u>	<u>(20,000)</u>	<u>(72,500)</u>	<u>243,600</u>		

On October 20, 1995 the shareholders agreed to a reduction in the option price on all outstanding stock options from \$2.15 per share to \$1.10 per share.

See note 9 Subsequent Event for a discussion of Option transactions subsequent to the year end.

d) Shareholder Protection Rights Plan

The Company has a Shareholder Protection Rights Plan whereby as of the adoption date March 21, 1994, one right was issued for each common share of the company. These rights remain attached to the shares and are not exercisable until the occurrence of certain designated events. The plan is intended to maximize shareholder value and ensure all shareholders are treated fairly in the event of a takeover bid.

7. RELATED PARTY TRANSACTIONS

During the year, officers and directors were paid a total of \$224,875 (1995 - \$254,832) for consulting and management fees, accounting and secretarial services, field expenses, and truck and equipment rentals. Effective March 1, 1994, the company entered into an employment agreement and an agreement for management services with two officers of the company. The agreements are for an initial term of five years but can be terminated upon twelve months notice and provide for total compensation of \$250,000 per year. In respect of services for the years ended April 30, 1995 and 1996 both officers voluntarily agreed to a reduction of the annual fee.

The Company purchased mining claims totaling \$16,250 from a related party during the year and at April 30, 1996 owed a balance of \$5,388 to the related party.

8. INCOME TAXES

As at April 30, 1996, the Company has incurred expenditures of \$72,949 on the Company's mineral claims in respect of which it will renounce in favour of investors the related income tax deductions.

As at April 30, 1996, the Company has the following amount available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts:

Amounts deducted for accounting purposes in excess of those deducted for tax purposes
\$3,251,893.

9. SUBSEQUENT EVENT

On June 27, 1996 a director exercised options to purchase 30,000 common shares of the Company at the exercise price of \$1.10 per share.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



FINANCIAL REPORT

CORPORATE GOVERNANCE

In 1994, The Toronto Stock Exchange (TSE) adopted a new by-law requiring corporations listed on the TSE to disclose their corporate governance practices with reference to the guidelines within The Report by the TSE Committee on Corporate Governance in Canada. TSE officials emphasize that the recommendations contained within The Report includes guidelines not entirely applicable to every listed company.

We at Kettle River support The Toronto Stock Exchange in their efforts to encourage sound corporate governance within member companies and will review regularly our practices to ensure they are appropriate.

COMPOSITION OF THE BOARD

The board is composed of four directors, two of whom are considered outside directors.

DESCRIPTION OF DECISIONS REQUIRING PRIOR APPROVAL OF THE BOARD

The day-to-day operations are managed by two inside directors. It is management's responsibility to ensure that effective controls permit continuity between the administration and exploration departments. All matters out of the normal nature of business are brought to the attention of the Board for discussion and approval.

DESCRIPTION OF BOARD COMMITTEES/ACTIVITIES

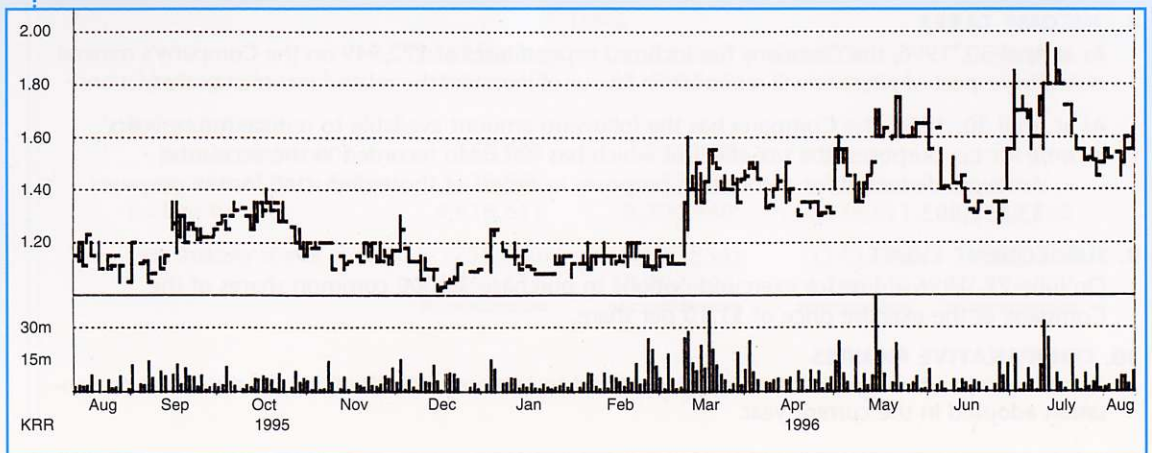
The audit committee is composed of three directors - the majority being outside directors. At present the Board reviews any matters of concern.

MEASURES FOR RECEIVING SHAREHOLDER FEEDBACK AND DEALING WITH CONCERNS

The director responsible for investor relations deals with normal concerns and requests.

Left: Claim post on Owen Lake. Old staking is abandoned and up to date mineral title is obtained before work begins. A very important first step.

SHARE PRICE HISTORY





CORPORATE DATA

HEAD OFFICE

P.O. Box 130, 330 Copper Street
Greenwood, B.C. Canada V0H 1J0
PHONE: (604) 445-6756
(604) 445-6540
TOLL-FREE: 1-800-856-3966
FAX: (604) 445-6177

Please note (604) telephone area code
changes to (250) as of October 19, 1996.

DIRECTORS & OFFICERS

George O.M. Stewart* Geol. G.G. President
Ellen Clements, Secretary/Treasurer
Gerald Rayner*, Geol., P.Eng.
Richard Clark*, Geol., L.L.B.
Alan McAlpine, C.A., Chief Financial Officer

INVESTOR RELATIONS

Ellen Clements 1-800-856-3966

REGISTRAR & TRANSFER AGENT

CUSIP#492705 108
Montreal Trust Company of Canada
4th Floor, 510 Burrard Street
Vancouver, B.C. V6C 3B9

Montreal Trust Company of Canada
One Queen Street East
Toronto, Ontario M5C 2W5

SOLICITORS

Lang Michener Lawrence & Shaw
2500 Three Bentall Centre, P.O. Box 49200
595 Burrard Street
Vancouver, B.C. V7X 1L1

AUDITORS

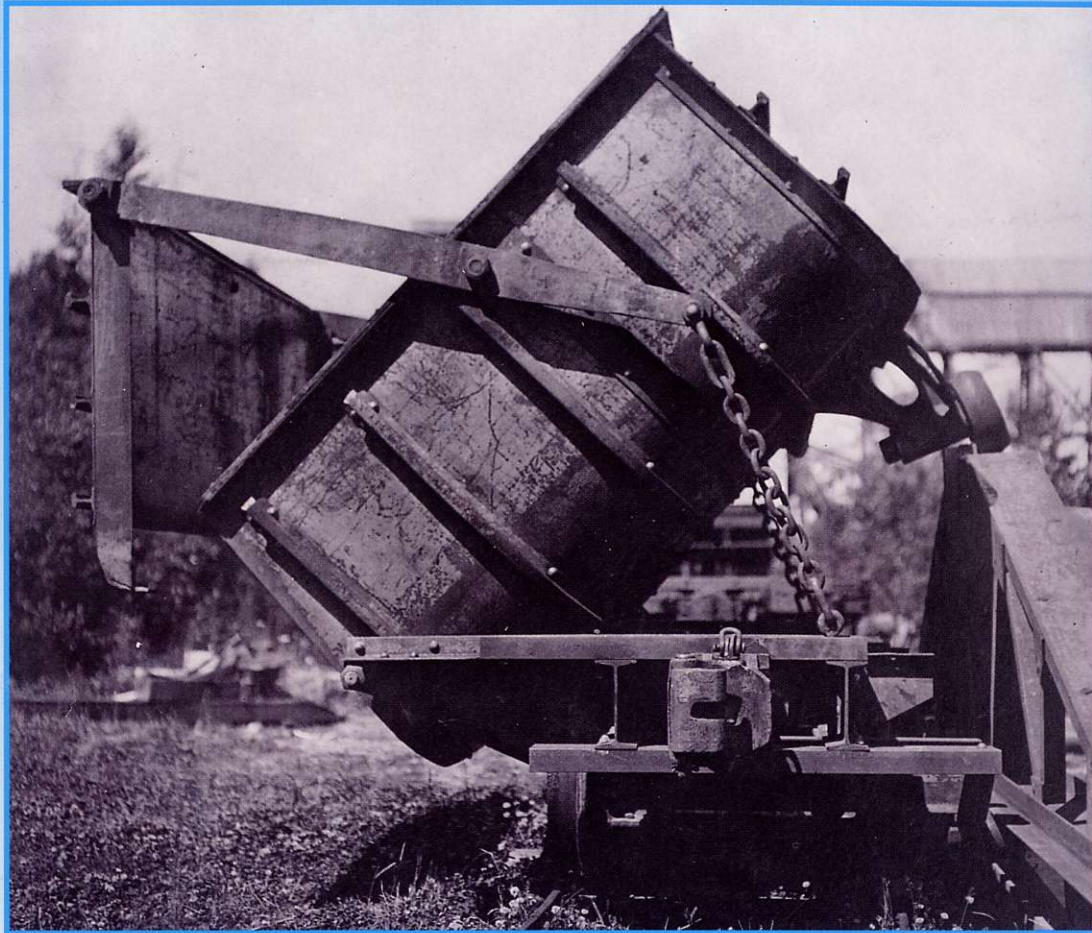
KPMG, Chartered Accountants
300 1674 Bertram Street
Kelowna, B. C. V1Y 9G4

* Members of the Audit Committee

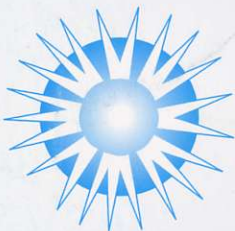
LISTINGS (SYMBOL KRR)

- The Toronto Stock Exchange
- Standard & Poors
- Moody's Investment
- Security & Exchange
Commission 12g3-2(b)
Exemption File #82-666

*The Annual General Meeting will
be held at 10 a.m. on October 21,
1996 in the office of Lang Michener
Lawrence & Shaw at 2500, Three
Bentall Centre, Vancouver, B.C.*



Front and back cover: Granby self dumping mine car designed and manufactured in the Granby company shops at Phoenix, British Columbia. To profitably mine copper ore in the mining period 1899 - 1919 Granby engineers developed many innovative techniques.



The logo for Kettle River Resources Ltd. represents the shadow pattern of a round, brilliant cut diamond immersed in methylene iodide (a heavy liquid), positioned on a white background and illuminated overhead by a single light source. This is done by gemologists to help determine the identity of a true diamond, versus the diamond simulants such as Cubic Zirconium (CZ).

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