

Mr. James C. O'Rourke, P.Eng.,  
Chairman and Chief Executive Officer  
of Princeton Mining Corporation.

Princeton is entering an exciting and pivotal year. Following a time of consolidation and strengthening of our financial base, we have improved operations, advanced exploration projects and acquired assets. Princeton is poised for significant growth.

Our strategy is threefold: upgrade our reserve base to allow us to become a low cost producer, improve efficiencies to maximize returns from our existing assets and add large incremental growth through an opportunistic and measured approach to high value risk ventures.

Company objectives outlined for 1995 in the prior years annual report were achieved:

- the Huckleberry project was acquired, permitted and advanced to the project decision stage by year end; project financing and equity participation agreements were completed with a Japanese consortium.
- Similco operated at a profit, repaid its loan obligations from 1994 and developed new open pit reserves in the Ingerbelle pit;
- the Elenita project was advanced through the preliminary feasibility stage.

The feasibility study on the Huckleberry project was completed in September. Capital costs are estimated at \$137 million for a facility to produce in excess of 65 million pounds copper per year in the initial years. At a copper price of US \$1.00 per pound and for the initial 10 years of production, operating costs are forecast to be US \$ 0.65 per pound copper and Princeton's portion of the cash flow from operations before working capital changes is projected to be \$14 million per year.

Early in the year the Company announced the strategic alliance with Mitsubishi Materials Corporation, Dowa Mining Co. Ltd., Furukawa Co. Ltd. and Marubeni Corporation for the acquisition and development of the Huckleberry project. Conditions precedent for the Company to achieve prior to a production decision are:

- acquisition of the Huckleberry deposit,
- completion of a bankable feasibility study to demonstrate project viability,
- securing of environmental permits to proceed with construction,
- securing a \$15 million infrastructure loan from the British Columbia Government, and
- arranging the Company's US \$12 million equity requirement.

All of the technical and environmental conditions precedent have been met. Finalization of the Company's equity funding and the final British Columbia Government approval of the infrastructure loan are expected in May.

The strategic alliance's contributions to the project by the Japan Group includes:

- purchase 40 percent of Huckleberry from the Company
- contribute 40 percent of the equity financing
- provide a US \$60 million project loan, and
- provide a long term concentrate purchase agreement with competitive, fixed terms for the initial five years of operation.

This alliance with the Japan Group and their financial support, has provided the Company with the leverage to proceed with this attractive mine development.

As a result of a full year of operations at Similco and strong copper prices, the Company's consolidated profit for the year was \$4.0 million, which included a write down of marketable securities of \$0.7 million. Revenues for the year were \$50.8 million, up from \$19.1 million in 1994 when the Similco mine operated for 5 months.





## Achievements - 1995

1995 was a very active year for the Company. Highlights of the 1995 achievements are listed below.

### Huckleberry Project

- ▶ The Huckleberry project was acquired in July 1995.
- ▶ A strategic alliance was formed with a Japanese consortium to purchase 40% of the project, and provide U.S. \$60 million, non-recourse, project financing for its development.
- ▶ Completed a bankable feasibility study demonstrating project viability.
- ▶ Completed the Environmental Assessment Process and received government approval for development.

### Operations

- ▶ Production of 37.7 million pounds of copper and 24,000 ounces of gold by Similco Mines Ltd. yielding an operating profit of \$6.5 million.
- ▶ Completed a successful exploration drilling program leading to the development of the Ingerbelle Phase 1 pit expansion.

### Exploration & Development

- ▶ Completed definition drilling at the Elenita Project indicating a diluted geological resource of 9.9 million tonnes grading 1.14% copper.
- ▶ Completed a preliminary feasibility study on the Elenita project defining mineable reserves of 7.7 million tonnes grading 1.25% copper.
- ▶ A 1,004 metre drill program was completed on the Nancagua gold project by our partners confirming the presence of significant mineralization.
- ▶ Acquired the Jacqueline project, a 35 square kilometre land position with potential for a Candelaria style copper-gold deposit.

## Objectives - 1996

Princeton's 1996 goals build on the achievements of 1995 and the current strength in both copper and precious metal markets.

### Objectives for 1996 include:

- ▶ Complete Princeton's equity financing of U.S. \$12 million for the Huckleberry Project.
- ▶ Maximize short and long term cash flow from operations at Similco through improved mine optimization and mining of higher grade deposits.
- ▶ Evaluate the feasibility of supplemental mill feed from known high-grade underground zones at Similco.
- ▶ Drill test other target areas at the Elenita property in Chile to double open-pit reserves and initiate a final feasibility study.
- ▶ Discovery of a significant gold resource at the Nancagua project through a joint venture funded 2,000 metre drill program.

Geological Survey Branch  
MEMPR

JUN 17 1996





Ingerbelle pit with the Ingerbelle Phase 1 expansion in the foreground. Mining from the pit was initiated in early 1995.

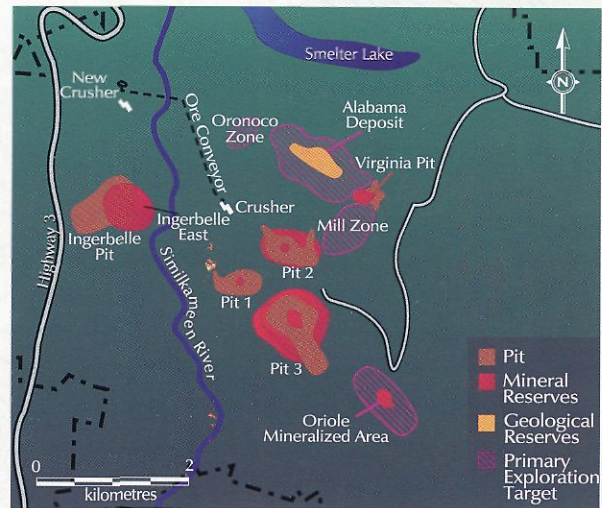
## OVERVIEW

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 Princeton Mining Corporation.

The earliest commercial production from the Copper Mountain property was attained in 1927 when Granby Mining Company Ltd. operated an underground mine in the area where Pit 3 is located. Underground mining continued until 1957, during which time approximately 34 million tons of ore grading in excess of 1% copper was mined. Open-pit mining commenced in 1972 when Newmont Mining Corporation built a new concentrator and developed the Ingerbelle Pit.

The mine and property were purchased by the Company from Newmont in 1988. To the beginning of 1995 the Copper Mountain property has produced 1.7 billion pounds of copper, 9 million ounces of silver and 0.7 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. The Copper Mountain property hosts a large mineralized system; in addition to past production, existing mineral reserves still total 151 million tons with an average grade of 0.39% copper and exploration potential continues to be favourable.



Similco site plan.



*“Although mining operations have been carried out at Copper Mountain for 53 years, existing mineral reserves could provide ore for more than 10 years and exploration potential continues to be favourable.”*



### Similco Production Statistics

	1995	*1994	**1993	1992	***1991	1990	1989	1988
Ore Milled (tons x 1000)	8,958	3,034	7,416	8,132	4,245	7,441	8,312	7,926
Waste Mined (tons x 1000)	7,955	-	6,553	8,828	4,541	15,935	15,829	11,855
Head Grade (% Cu)	0.270	0.265	0.450	0.450	0.480	0.50	0.46	0.46
Recovery (% Cu)	77.9	77.2	77.8	77.2	78.5	75.6	75.9	79.3
Copper Produced (lbs x 1000)	37,694	12,269	51,991	56,667	31,936	56,418	57,420	59,956
Gold Produced (ozs)	23,682	7,392	14,181	16,039	7,617	13,617	17,277	16,864
Silver Produced (ozs)	95,565	32,829	370,129	314,490	183,354	311,660	432,220	407,863
No. of Employees (Dec 31)	287	198	32	274	289	341	341	346

\*4.5 months operation from stockpile \*\* 11 months operation \*\*\* 7.5 months operation

## OPERATIONS

During the year, Similco completed the transition from processing low-grade stockpiled ore to mining in the Phase 1 Ingerbelle Pit expansion. A diamond drilling program completed in December, 1994 established mineral reserves and allowed pit designs and a feasibility study to be carried out on the Ingerbelle expansion. Mining in the Ingerbelle Pit began in February and by October almost all of the mill-feed was coming from the Ingerbelle Pit. Pre-production stripping and development cost of the Ingerbelle expansion totalled \$5.1 million which is being amortized on a unit production basis over the life of the Pit.

Mill throughput for the year was 8.958 million tons containing an average grade of 0.27% copper. Mill operating time averaged 87.1% and copper recovery was 77.9%, both of which were improvements over 1994. Copper production for the period was 37.7 million pounds, silver and gold production were 95,600 ounces and 23,700 ounces respectively. The average copper price realized by Similco for the period was U.S. \$1.18.

## MINE PLAN

The mine is currently operating on a two year plan ending December 1997. The copper price used to develop the 1997 plan is U.S. \$1.00 per pound.

Mining operations in the Ingerbelle Phase I pit will continue to the end of November, 1996. Ore mined in excess to the daily milling requirements during Ingerbelle Phase I will be stockpiled near the primary crusher and used to supplement mill feed during the transition to mining operations on Copper Mountain. Mining operations on Copper Mountain will start in December, 1996, initially with salvage material in Pit 2 and Pit 3 followed by the development of the Oriole Pit. Reserves within the Virginia Pit will be used as an alternative ore supply if required.

Pre-development activities required to reactivate Copper Mountain include refurbishment of the S-1 shovel, repairs to the primary crusher and cable belt, re-establishing electrical power distribution and moving equipment from Ingerbelle to Copper Mountain.

The 1997 mine plans may change when definition drilling is completed in the Oriole, Alabama and Pit 3 deposits. In

addition, a long-range plan is being developed for mining Pit 3, where existing reserves are sufficient for an additional 7 years of production.

### Mineable Reserves - as at January 1, 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
Ingerbelle, Phase 1	8,624	0.16	0.310	4,555	13,179	0.50
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
<b>Total</b>	<b>151,031</b>		<b>0.392</b>	<b>293,485</b>	<b>444,516</b>	<b>1.94</b>

Mineable reserves include proven and probable reserves that have been scheduled into a mining plan.





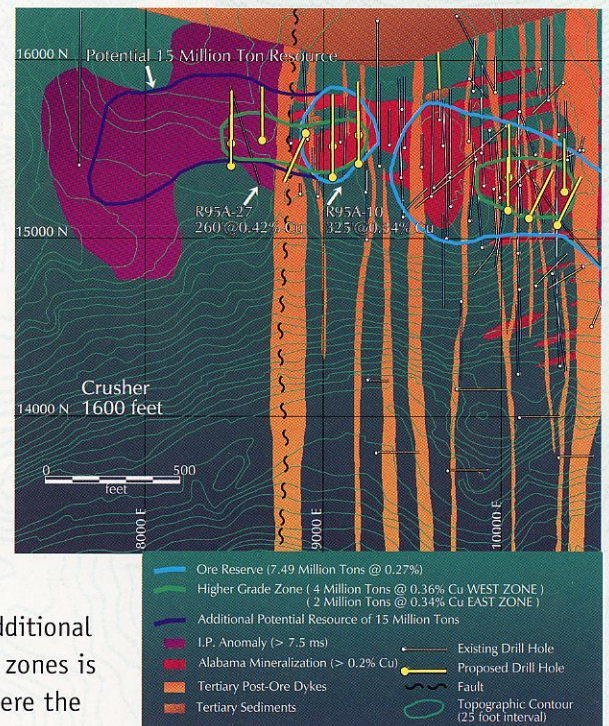
A successful drilling program identified reserves to allow development of the Ingerbelle Pit expansion.

## EXPLORATION & DEVELOPMENT

A property scale systematic exploration program implemented in early 1993 was continued throughout 1995. While some target areas were downgraded, others were advanced. At the Ingerbelle deposit a successful drilling program was followed by reserve estimation, pit optimization and mine planning; culminating in production which began in April, 1995.

The Alabama area had been previously identified as having a high potential for the development of a significant copper-gold deposit. Phase I drilling on the Alabama deposit was completed in early 1994 and a Phase II drill program, which was begun in late 1994, was completed in mid 1995. Drill hole spacing is approximately 200 feet and the geological resource is estimated to be 29 million tons grading 0.352% copper and 0.005 oz/ton gold, based on a 0.2% copper cut-off grade. Continuity of the mineralization is insufficient to establish proven reserves with the current drill spacing and preliminary pit modeling suggests that fully diluted reserves within a large pit would not be economical at a copper price of U.S. \$1.00/lb. Additional drilling required to establish continuity of the near-surface higher grade zones is planned for 1996. Additionally, the deposit remains open to the west where the westernmost step-out hole returned an intersection of 260 feet grading 0.42% copper. This intersection occurs in an overburden covered area where there is sufficient room to host a medium sized deposit. Drill testing of this area is planned for 1996.

Diamond drilling is also planned to expand reserves and lower the strip ratio of the Oriole area where mineable reserves of 2.9 million tons grading 0.44% copper have been developed.



Schematic illustration of the geology and drill plan for the western part of the Alabama deposit. The deposit is open to expansion to the west with potential for higher grade reserves.



Bio-solids spreader.

Historical underground mining on Copper Mountain was primarily carried out along the Main Fault structure, over a 5,000 foot strike length located in the area of Pit 3 and Pit 1. Mineralization continues to depth below Pit 3 and at other locations along the Main Fault, such as below the Ingerbelle Pit, as indicated by drill intercepts of up to 100 feet grading 3.38% copper below the bottom of the Pit 3 expansion and 156 feet grading 1.25% below the Ingerbelle Pit. Exploration personnel are currently evaluating the potential for high-grade, underground ore to supplement open-pit mining production.

### COPPER MARKETS/PRICES

The strong price trend seen in 1994 continued into 1995, with an annual average L.M.E. price of U.S. \$1.33 up from U.S. \$1.05 in 1994. The monthly average L.M.E. price peaked in July at U.S. \$1.40. However, by mid-year it was evident that copper demand was slowing and production rising. Metal stocks started to accumulate by year-end and prices fell as 1996 began, averaging U.S. \$1.17 for the first quarter. The general expectation is that prices for the year will average within the range of U.S. \$1.10 to \$1.15.

1995 brought a reversal in the copper concentrate supply/demand balance and, with the move to surplus, long term concentrate treatment charges rose. Similco's concentrate purchase agreement with Mitsubishi Materials Corporation reflected this increase.

### HEDGING

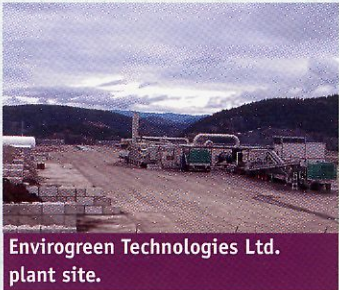
Similco follows a policy of price protection and for 1996 has in place a combination of forward sales and options. This combination achieves a weighted average floor price of U.S. \$1.11 for 1996 on 33.5 million pounds of copper with participation above U.S. \$1.09 on 51% of hedged production.

### RECLAMATION

Having successfully completed the testing of treated bio-solids derived from Greater Vancouver Regional District (GVRD) sewage, bio-solids were incorporated into Similco's full scale annual reclamation work. During 1995 a total area of 43.2 hectares were reclaimed using bio-solids. An additional 39.1 hectares of reclaimed land was fertilized using bio-solids.

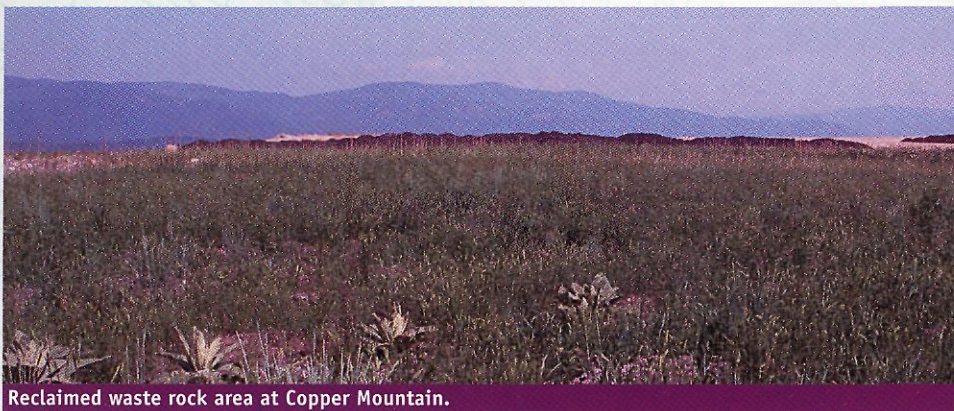
The Envirogreen Technologies Ltd. plant designed to treat hydro-carbon contaminated soils for use in Similco's ongoing reclamation program was assembled on site during 1995. Envirogreen is scheduled to commission the plant, complete trials supervised by the Ministry of Environment and begin full scale treatment during 1996.

Similco actively participates in these technologies to provide cost-effective methods of enhancing land reclamation. A reclamation bond is in place which is in excess of our independent consultants cost estimate for reclamation.



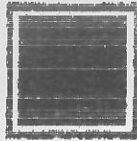
Envirogreen Technologies Ltd. plant site.

*"Similco actively participates in the development of technologies to provide cost-effective methods of enhancing land reclamation."*



Reclaimed waste rock area at Copper Mountain.

TGS -> SIMILCO



**PRINCETON**  
Mining Corporation

MINISTRY OF ENERGY, MINES  
AND PETROLEUM RESOURCES  
KAMLOOPOLE, B.C.

Rec'd. JUN 9 - 1993

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June 9, 1993

## PRESS RELEASE

### SIMILCO MINE GIVES EMPLOYEES NOTICE OF SUSPENSION OF OPERATIONS

Princeton Mining Corporation announced today that its wholly owned subsidiary, Similco Minas Limited, has given its employees 90 days notice of termination pursuant to the B.C. Employment Standards Act and other legal requirements. The notice advises that, because of the recent drop in copper prices and the uncertainty of future prices, operations will be suspended September 10, 1993. The termination notices can be rescinded if the copper price increases or mine-site costs are reduced sufficiently during the 90 day period to allow the mine to stay open. In the event of closure a decision to resume operations would be

dependent upon the same economic factors.

Similco is proceeding with an exploration program designed to locate new low cost ore deposits on its property that would help improve mine-site economics over the long term. The previously announced helicopter borne geophysical survey will commence later this month.

The Similco mine suspension of operations will not affect the operations of Terasov Mining Corporation, another wholly owned subsidiary of Princeton, or its copper exploration projects in Chile.

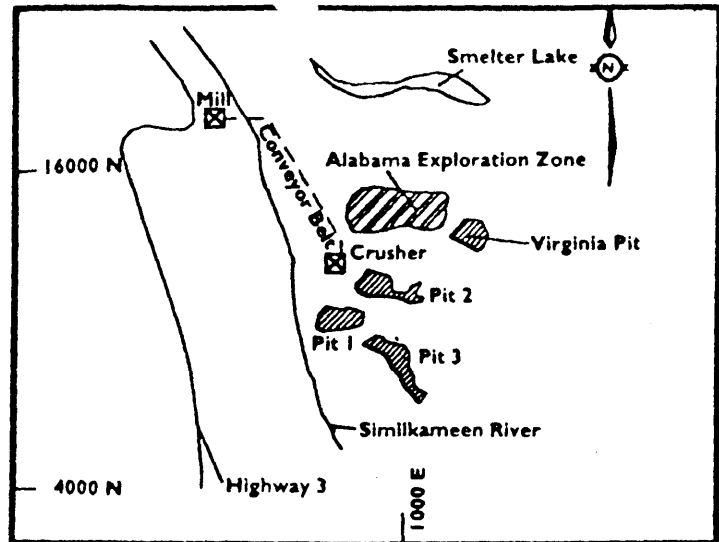
For further information please contact:

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**PRINCETON**  
Mining Corporation

SIMILCO



HOLE #	FROM	TO	LENGTH (feet)	% Cu	Au g/t	% Cu equiv. (see note)
94-A14	154	184 eoh	30	0.47	0.10	0.53
94-A16	240	265	25	0.26	0.16	0.35
94-A17	14	409	395	0.25	0.09	0.30
	incl 122	260	138	0.31	0.12	0.38
94-A19	174	360	186	0.24	0.07	0.28
	420	451 eoh	31	0.35	0.08	0.39
94-A20	140	230	90	0.29	0.16	0.38
94-A21	53	150	97	0.23	0.10	0.29
94-A22	70	270	200	0.30	0.17	0.40
	514	564	50	0.38	0.17	0.48
94-A25	589	693	104	0.24	0.20	0.35
94-A26	104	199	95	0.56	0.27	0.71
94-A29	221	279	58	0.25	0.13	0.32
	684	741	57	0.24	0.28	0.40

\* % Cu equivalent calculated using U.S. \$385.00 per oz Au and U.S. \$1.00 per lb Cu.



## HUCKLEBERRY PROJECT

During the second quarter of 1996, Princeton Mining Corporation completed a \$10.05 million private placement which realized net proceeds of \$9.3 million. This amount will be contributed by Princeton to the Huckleberry project as part of its ongoing equity participation of U.S. \$12.0 million.

Net proceeds of \$9.3 million are held in trust pending a cash call from the project at which point the \$9.3 million, along with the Japan Group's proportionate share will be forwarded to Huckleberry Mines Ltd. The completion of the private placement enabled the sale of 40% of Huckleberry Mines Ltd. to the Japan Group for proceeds of U.S. \$6 million. The U.S. \$6 million proceeds were reinvested in Huckleberry Mines Ltd. by Princeton along with the Japan Group's proportionate share of U.S. \$4 million for a total of U.S. \$10 million as the initial equity to the project.

The Huckleberry project is proceeding on budget. Site clearing and earthwork excavation for the mill and permanent camp is underway. Work on concrete foundations is scheduled to begin later in August.

The temporary 130 person construction camp is fully operational in order to accommodate the 100 construction workers currently at the site. An additional 250 room permanent camp is scheduled for delivery to the site in late August.

Detailed engineering is 25 percent complete as of the end of June. Equipment procurement and contracts awarded account for 37 percent of the project. As of the end of July costs forecast to complete are slightly under budget.

A motion recently brought forward in the B.C. Supreme Court by the Sierra Legal Defence Fund on behalf of the Council of the Cheslatta Carrier Nation and Chief Marvin Charlie for an injunction to stop work on the project was dismissed by the Court on July 12, 1996. Construction work has not been affected and is proceeding as planned. A petition against the B.C. Government alleging a lack of due process under the Environmental Assessment Act (British Columbia) is scheduled to be heard in October, 1996.

Mr. Emile Brokx has been appointed General Manager of the Huckleberry Mine and began in this position on July 29, 1996. Mr. Brokx was previously General Manager at a potash operation in Saskatchewan and has held senior management positions at the British Columbia mines of Bell Copper, Granisle Copper and Brenda Mines.

## SIMILCO MINES LTD.

Similco's copper production from the Ingerbelle Pit was 12 million pounds compared to 9.6 million pounds in the second quarter of 1995. Mill throughput was 2.0 million tons grading 0.33% copper compared to 2.4 million tons grading 0.264% copper for the corresponding period in 1995. This was also an improvement from the first quarter of 1996 when mill throughput was 1.8 million tons grading 0.27% copper.

The effect of the sharp decrease in the copper price which occurred in June was offset by hedging gains and as a result, the average price recorded by Similco was US \$1.11 compared to US \$1.18 in the second quarter of 1995.

Similco has in place a combination of forward sales and options giving a weighted average floor price of US \$1.06 on 22.5 million pounds of copper to be priced in the period from July to December 1996. As a result Similco is well positioned for the last six months of this year.

During the second quarter of 1996, Princeton Mining Corporation completed a flow through financing with gross proceeds of \$1,000,000 to fund exploration of the Alabama and Oriole zones as well as other targets at the Similco Mine. The \$1 million in proceeds arose from the sale of 2 million Class "C" Special Warrants each of which is exercisable into one flow through share and one share purchase warrant, each warrant entitles the holder to acquire one common share for a period of five years at a price of \$0.60 each. Flow through shares fund exploration and development costs and the owners of these shares are therefore entitled to receive tax deductions and credits otherwise available only to corporations.

*For Period Ending June 30/96*

# QUARTERLY REPORT *to Shareholders*

FOR THE PERIOD ENDING SEPTEMBER 30, 1996



## HIGHLIGHTS

### **Huckleberry Mines Ltd.**

- Construction at site is proceeding on schedule and below budget for a September 1997 production start.
- As of the end of September, orders and contracts representing 47% of the value of the project have been finalized.
- The new 8 kilometer access road was completed in October.
- Structural steel for the mill has been erected and roofing is underway.
- Work began on pit stripping and the tailings dam foundation.

### **Similco Mines Ltd.**

- Copper production in the quarter at Similco was 13.9 million pounds, a 44% increase from the third quarter of 1995, continuing the trend from the second quarter of 1996.
- Gold production was also up with Similco producing 10,020 ounces in the quarter, compared to 5,973 ounces in the third quarter of 1995.
- On August 9, 1996, it was announced that operations at the Similco mine would be suspended pending a strengthening in world copper prices and success of the current exploration program. The operation was placed on a care and maintenance basis on November 15, 1996.
- A \$1 million 40,000 foot drilling program is underway with the objective of defining low cost reserves sufficient for a long term viable mine plan.

### **Princeton Mining Corporation**

- The final prospectus dated September 12, 1996, to qualify the issuance of the \$9,000,000 7% Unsecured Subordinated Convertible Debenture along with 2,100,000 Common Shares, 2,000,000 flow through common shares and 3,050,000 warrants was filed.

### **Chile**

- Minera Princeton acquired a new gold project, Milagro, with an exposed strike length of 3 kilometers.
- A 700 hole, 7,000 meter percussion drilling program to test bedrock below surface geochemical anomalies on the Elenita property was completed with favorable results.
- Initial exploration work by the Corporation's joint venture partner was initiated on Jacqueline and adjacent Tierra de Oro projects. Work is continuing with a drill program anticipated early in 1997.

### **Financial Results**

- Princeton reports unaudited consolidated earnings of \$522,000 for the third quarter of 1996 and cash flow of \$2,283,000 for the period as compared to earnings of \$1,739,000 and cash flow of \$1,999,000 for the third quarter of 1995. As in the second quarter of 1996 higher amortization costs associated with the capitalized Ingerbelle pre-stripping costs coupled with lower copper prices resulted in lower earnings in the third quarter of 1996 compared to 1995. However, lower unit production costs in the third quarter of 1996 compared to 1995 partially offset the reductions in revenue and resulted in improved cash flow to the Corporation.

## **HUCKLEBERRY PROJECT**

Financing of the project proceeded on schedule and the second of three equity subscriptions by the partners was completed in the amount of U.S. \$11 million. Initial draws were made under the two project loan facilities. As of September 30, 1996, costs incurred and committed represented 47 percent of total costs. The project continues to be under budget.

Construction at the site is proceeding on schedule for a September 1997 production start. Concrete foundations and structural steel for the permanent camp were completed. The permanent 252 bed camp on site is planned for November with construction personnel currently utilizing the temporary 150 person camp. The mill building is now scheduled to be completely enclosed and heated by mid December to allow work to continue through the winter. Stripping of overburden from the east zone pit is underway, and construction of the starter dam has commenced.

The hearing for a petition by the Sierra Legal Defence Fund on behalf of the Cheslatta Indian band against the B.C. Government in the matter of the Environmental Assessment of Huckleberry has been adjourned and will now not likely be heard until early 1997.

## **SIMILCO MINES LTD.**

Similco's copper production from the Ingerbelle Pit was 13.9 million pounds compared to 9.6 million pounds in the third quarter of 1995. The tonnage milled in the third quarter of 1996 was 2.2 million tons grading 0.34% copper compared to 2.2 million tons grading 0.274% copper in the prior year. Revenues were affected by a decrease in the price of copper. The average price recorded was U.S. \$0.91 compared to U.S. \$1.20 in the third quarter of 1995.

Similco has hedged 22.9 million pounds of copper representing approximately 94% of the remaining production to be priced, at a price of U.S. \$0.93 per pound.

On August 9, 1996, it was announced that operations at the Similco Mine would be suspended. The suspension of operations comes as a result of the sudden dramatic fall in copper prices in June and the trend for continuing low prices throughout 1997. Similco was unable to complete forward sales for its 1997 copper production at an attractive price.

Mining and milling operations were suspended on November 15, 1996. The closure will affect approximately 226 employees. Necessary personnel will be retained to maintain the property on a care and maintenance basis. The company plans to reactivate the Industrial Adjustment Committee and work with the community and its work force to minimize displacement expected from the suspension of operations. Recommencement of operations is dependent upon an improvement in copper prices and the success of the current exploration program.

### **Exploration**

A \$1 million exploration program, primarily consisting of 40,000 feet of diamond drilling is underway at Similco. The objective of the program is to define mineable reserves sufficient for a long term viable mine plan. Drilling has so far been conducted in the Alabama, Oronoco and SP zones.

Drilling within the Alabama zone yielded mixed results and failed to extend the zone to the west. Additional drilling to increase continuity of the higher grade zones and allow definition of mineable reserves within the Alabama deposit may be undertaken later in the program.

The Oronoco zone is located 3,000 feet to the west of the Alabama zone. Initial drill results were encouraging but additional drilling, which tested an area of 500 by 1,000 feet did not define economic mineralization over a large area.

The SP zone is the area encompassing the previously mined Pit 2 and Pit 3. Existing reserves within the SP zone include 39 million tons grading 0.33% copper with a strip ratio of 1.78:1 in the Pit 2 area and 59 million tons grading 0.48% copper at a strip ratio of 2.32:1 in the Pit 3 area. The exploration target for drilling within the SP zone is to discover additional mineralization peripheral to, as well as between, Pits 2 and 3, such that a reserve greater than 100 million tons with a grade in the order of 0.45% copper and with a strip ratio of 1.5:1 can be defined.

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Similco's copper production from the Ingerbelle Pit was 13.9 million pounds compared to 9.6 million pounds in the third quarter of 1995. The tonnage milled in the third quarter of 1996 was 2.2 million tons grading 0.34% copper compared to 2.2 million tons grading 0.274% copper in the prior year. Revenues were affected by a decrease in the price of copper. The average price recorded was U.S. \$0.91 compared to U.S. \$1.20 in the third quarter of 1995.

Similco has hedged 22.9 million pounds of copper representing approximately 94% of the remaining production to be priced, at a price of U.S. \$0.93 per pound.

On August 9, 1996, it was announced that operations at the Similco Mine would be suspended. The suspension of operations comes as a result of the sudden dramatic fall in copper prices in June and the trend for continuing low prices throughout 1997. Similco was unable to complete forward sales for its 1997 copper production at an attractive price.

Mining and milling operations were suspended on November 15, 1996. The closure will affect approximately 226 employees. Necessary personnel will be retained to maintain the property on a care and maintenance basis. The company plans to reactivate the Industrial Adjustment Committee and work with the community and its work force to minimize displacement expected from the suspension of operations. Recommencement of operations is dependent upon an improvement in copper prices and the success of the current exploration program.

### **Exploration**

A \$1 million exploration program, primarily consisting of 40,000 feet of diamond drilling is underway at Similco. The objective of the program is to define mineable reserves sufficient for a long term viable mine plan. Drilling has so far been conducted in the Alabama, Oronoco and SP zones.

Drilling within the Alabama zone yielded mixed results and failed to extend the zone to the west. Additional drilling to increase continuity of the higher grade zones and allow definition of mineable reserves within the Alabama deposit may be undertaken later in the program.

The Oronoco zone is located 3,000 feet to the west of the Alabama zone. Initial drill results were encouraging but additional drilling, which tested an area of 500 by 1,000 feet did not define economic mineralization over a large area.

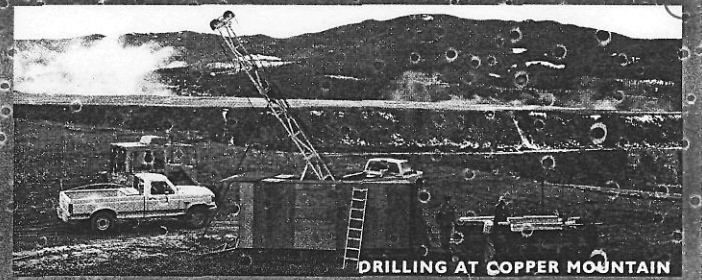
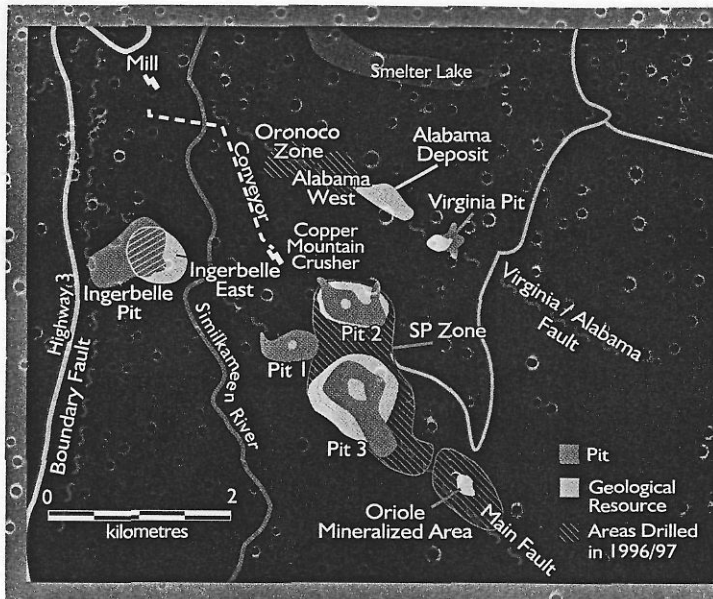
The SP zone is the area encompassing the previously mined Pit 2 and Pit 3. Existing reserves within the SP zone include 39 million tons grading 0.33% copper with a strip ratio of 1.78:1 in the Pit 2 area and 59 million tons grading 0.48% copper at a strip ratio of 2.32:1 in the Pit 3 area. The exploration target for drilling within the SP zone is to discover additional mineralization peripheral to, as well as between, Pits 2 and 3, such that a reserve greater than 100 million tons with a grade in the order of 0.45% copper and with a strip ratio of 1.5:1 can be defined.

**SIMILCO MINES LTD.**

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

*Similco*

196 AR (39)



**O V E R V I E W**

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

**O P E R A T I O N S**

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
<b>Total</b>	<b>142,407</b>		<b>0.397</b>	<b>288,930</b>	<b>431,337</b>	<b>2.03</b>

129,163,140 tonnes

## 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.

**FIVE YEAR SUMMARY**

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

	1996	1995	1994	1993	1992
<b>EARNINGS:</b>					
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) .....	<u>\$ (16,389)</u>	<u>\$ 3,739</u>	<u>\$ (5,872)</u>	<u>\$ (24,960)</u>	<u>\$ (1,467)</u>
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**

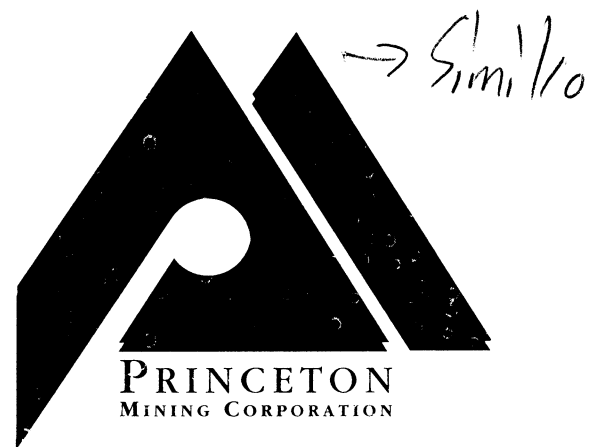
(1996 - 10 1/2 months, 1994 - 4 1/2 months, 1993 - 11 months)

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

# QUARTERLY REPORT *to Shareholders*

FOR THE PERIOD ENDING MARCH 31, 1997

April 28, 1997



## ***PRINCETON REPORTS FIRST QUARTER LOSS HUCKLEBERRY PROJECT 70% COMPLETE***

Princeton Mining Corporation reports a loss for the first three months of 1997 of \$2,213,000 or \$0.02 per share on revenues of \$97,000 compared with a loss of \$3,693,000 or \$0.04 per share on revenues of \$13,102,000 in the corresponding period of 1996. The loss reflects the continued suspension of operations at the Similco mine together with an increase in general and administrative costs associated with a restructuring of the management during the quarter.

Operations at the Similco mine remain suspended. Expenses associated with the mine during the quarter reflect holding costs at the site. Ongoing holding costs should be reduced in future quarters as contractual expenditures on items such as power are scaled down and the remaining workforce further reduced. Evaluation of the results of the drilling program which started in 1996 is continuing with this work expected to be completed in July. The decision to resume operations at Similco will be a function of the price of copper, the success of the drilling program and the amount of capital necessary to replace or upgrade equipment.

Construction of the 60% owned Huckleberry mine continues to progress well. To March 31, 1997, Huckleberry has spent or

committed approximately 70% of the project's \$137 million expected capital costs. The access road, air strip, 252 person permanent camp and primary crusher facility are substantially complete and most of the mill concrete is poured. The major mill equipment is starting to arrive on site, stripping of the overburden on the East Zone pit is continuing and the starter dam has been completed to contain spring run-off water required for mill operations. The project is on target to meet the projected start-up date in late September, 1997. Huckleberry is expected to produce an average of 65 million pounds of copper annually for the first 10 years of production with cash operating costs, net of by-product credits, forecast to be U.S. \$0.65 per pound

In December, 1995 a petition was filed in the Supreme Court of British Columbia by the Sierra Legal Defence Fund on behalf of the Council of the Cheslatta Carrier Nation and Chief Marvin Charlie against the British Columbia Government, alleging a lack of due process relating to the environmental assessment of Huckleberry. The petition was heard February 17 - 20, 1997, which hearing was held over to be completed April 8 - 11, 1997. The court has reserved judgement pending review of submissions by the parties.



# QUARTERLY REPORT *to Shareholders*

FOR THE PERIOD ENDING JUNE 30, 1997

July 25, 1997



## ***NEW HUCKLEBERRY MINE TO COMMENCE CRUSHING ORE***

### ***PRINCETON REPORTS SIX MONTH LOSS***

Princeton Mining Corporation reports a loss for the first six months of 1997 of \$3,788,000 or \$0.04 per share compared with a loss of \$4,026,000 or \$0.05 per share in the corresponding period of 1996. For the second quarter of 1997 the Company reported a loss of \$1,575,000 or \$0.02 per share compared with earnings of \$276,000 or \$0.00 per share for the three months ended June 30, 1996. The loss reflects the lack of operating revenues for the Company. The Similco mine continues on a care and maintenance basis after operations were suspended in November 1996. The Huckleberry mine will soon commence operations but is not scheduled to generate income until the fourth quarter of this year.

Construction at the 60% owned Huckleberry mine continues to progress well. Testing of the primary crusher is underway and crushing of ore is expected to commence on July 31, 1997. Mine operations personnel continue to pre-strip the open pit and nearly 200,000 tonnes of ore have been stockpiled. All major plant equipment is installed. Site activities are concentrated on the final phase of

construction including piping, electrical installation and instrumentation. Plant commissioning will be by area with the primary crusher area being commissioned first. Commissioning of the grinding circuit is scheduled to occur in late August. This is an improvement of approximately four weeks over the original development schedule.

No judgement has been rendered by the Supreme Court of British Columbia relating to the petition filed by the Sierra Legal Defence Fund on behalf of the Council of the Cheslatta Carrier Nation and Chief Marvin Charlie against the British Columbia Government, alleging a lack of due process relating to the environmental assessment of Huckleberry. The petition was heard April 8<sup>th</sup> to 11<sup>th</sup>. There have been no delays to construction activities at site relating to environmental or First Nations issues.

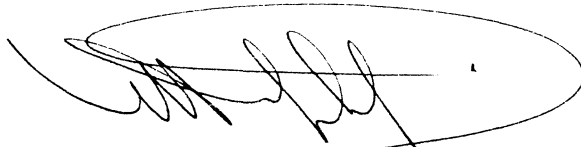
At Similco, an independent consultant has completed a review of the results of the drilling program together with an assessment of the historical drilling and geologic data. Initial findings suggest the

property has potential for a mineable reserve in excess of 50 million tons within the Copper Mountain Pit 2 and Pit 3 areas. A two-stage drill program leading to the preparation of a feasibility study is required to prove-up this potential reserve. A detailed drilling program, timetable and budget is currently being prepared.

Discussions continue on the sale of Aquest Minerals Corporation, a company established to hold Princeton's Chilean exploration properties. The Company is assessing options to sell Aquest in return for shares of a publicly traded company.

In this way, shareholders will be able to participate in the success of the Chilean properties through the Company's ownership in the acquiring company.

On May 22, 1997 the Company filed a final prospectus with the Securities Commissions of Ontario and British Columbia clearing the way for the issuance of 15,428,572 common shares on exercise of 15,428,572 Special Warrants issued by way of a \$5.4 million Private Placement on February 25, 1997. All Special Warrants have been exercised and the full proceeds received by the Company.

A handwritten signature in black ink, enclosed within a hand-drawn oval. The signature is stylized and appears to read 'William H. Myckatyn'.

William H. Myckatyn, P.Eng.  
President and Chief Executive Officer  
July 25, 1997

## Silvertip

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Silvertip is a high grade precious and base metal deposit located just south of the British Columbia/Yukon border near Watson Lake, Yukon. It is owned 100% by Silvertip Mining Corporation, a wholly owned subsidiary of Imperial.

In 1997, a \$2 million program consisting of 8,595 metres of diamond and reverse circulation drilling, geological mapping and seismic reflection surveys expanded the known mineral resource from 1.74 million tonnes grading 352 grams per tonne (10.20 ounces per ton) silver, 6.40% lead and 10.00% zinc to 2.57 million tonnes grading 325 grams per tonne (9.43 ounces per ton) silver, 6.40% lead and 8.80% zinc, prompting Imperial to initiate prefeasibility studies.

Extensive metallurgical testwork has confirmed that contained metals can be recovered using standard flotation techniques, and demonstrated that the use of dense media can substantially upgrade run of mine ore to provide high grade mill feed with little loss of contained metals.

Imperial is considering moving its 100% owned Goldstream mill from Revelstoke to the Silvertip site. This 1,500 tonne per day mill is capable of treating in excess of 2,000 tonnes daily of the softer, higher grade Silvertip ore by conventional crushing, grinding and flotation.

Imperial recently submitted an application to the British Columbia Environmental Assessment Office for entry into the Environmental Assessment process, and is moving forward on the permitting aspects of the project. Timely receipt of project certification is critical to the success of this mine and Imperial staff have been in consultation with many of the concerned agencies in an effort to move the process forward as quickly as possible.

Imperial's accelerated timetable envisages the completion of all design aspects of the mine during 1998, with a view to commencement of construction in 1999 and production by late 1999/early 2000. Current proposals call for the annual production of 5,600,000 ounces of silver, 38,000 tonnes of lead and 52,000 tonnes of zinc.

## Similco Mine

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The Similco open pit copper/gold mine is located in southern British Columbia, 14 kilometres south of Princeton. The mine is 100% owned by Similco Mines Ltd., now a wholly owned subsidiary of Imperial. Weak copper prices forced the mine to suspend operations in November, 1996. Production to date at Similco totals 1.74 billion pounds of copper, 9.1 million ounces of silver and 730,000 ounces of gold.

The Copper Mountain property at Similco covers an area of approximately 75 square

kilometers 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 Similco concentrator.

The Copper Mountain property hosts a large mineralized system. Exploration programs carried out in 1997 confirmed a resource of 142 million tons grading 0.397% copper, with gold and silver credits.

Similco, a fully permitted mine, can be reopened with relatively little capital when metal prices improve. The potential for further expansion of reserves is excellent. Also, the 100% owned Invermay property, located just 90 kilometres away, could add significant value to the Similco mine.

Care and maintenance costs at Similco are partly offset by two environmental reclamation projects which make use of non mining portions of the Similco site.

A biosolids reclamation project being conducted under the direction of the Greater Vancouver Sewage and Drainage District's Residuals Management Group ("GVRD") continued at Similco in 1997, completing year four of a five year program. A total of 6,142 tonnes of biosolids were applied to 16 hectares of disturbed land in 1997. The success of the biosolids application is well demonstrated at Similco and the GVRD contract is expected to be renewed for an additional five years.

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. In 1997 the Envirogreen facility treated and stockpiled approximately 8,600 tonnes of clean soil for the reclamation projects at Similco. This soil is blended with the biosolids by the GVRD. Processing volumes for 1998 are estimated to be a minimum of 35,000 metric tonnes of material yielding a tipping fee of \$350,000. This material will to be used in the ongoing reclamation program at the Similco mine.

## **Other**

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### **Invermay**

Located 200 kilometres east of Vancouver, British Columbia and covering 2,880 hectares, the 100% owned Invermay property has an open pit resource of 45.4 million tons grading 0.4 grams per tonne (0.011 ounces per ton) gold, 11.2 grams per tonne (0.326 ounces per ton) silver and 0.47% copper.

The discovery of significant disseminated mineralization peripheral to the known high grade vein mineralization has changed the scope of this project. The precious metal enriched porphyry copper mineralization at Silver Daisy adds the potential for a second open pit resource on the property.

Imperial has initiated advanced stage environmental baseline studies, including humidity cell testing, to fully characterize the environmental impact of developing the project.