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CANADIAN
SPOONER
RESOURCES INC.

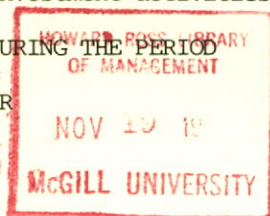
60TH ANNIVERSARY
ANNUAL REPORT 1986

CANADIAN SPOONER RESOURCES INC.
(unaudited)
STATEMENT OF INCOME
For the three months ended September 30, 1986

	1986	1985
INCOME		
Oil and gas revenue	\$ 36,325	\$ 84,177
Revenue from gold sales	21,396	
Investment income	3,582	47,295
	61,303	131,472
EXPENSES		
Oil and gas		
Royalties	7,571	17,804
Operating costs	14,320	17,805
Depreciation and depletion	4,251	
	26,142	35,609
Mining		
Operating costs	8,000	
Depreciation and depletion	18,700	
	26,700	
Administration	41,918	31,975
	94,760	67,584
NET INCOME (LOSS) FOR THE PERIOD	\$ (33,457)	\$ 63,888
EARNINGS (LOSS) PER SHARE	\$ (.01)	\$.02

(unaudited)
STATEMENT OF CASH FLOWS
For the Three Months ended September 30, 1986

	1986	1985
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income (loss) for the period	\$ (33,457)	\$ 63,888
Add charges to operations not requiring a current cash payment		
Depletion and depreciation	24,401	2,000
Profit on sale of investments		(42,128)
Deferred exploration written off	8,088	
	(968)	23,760
Net change in non-cash working capital balances related to operations	(7,644)	69,947
Cash provided by (used in) operating activities	(8,612)	93,707
CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES		
Investments	(27,109)	
Proceeds from sale of investments		101,528
Oil and gas interests	(2,121)	(6,524)
Exploration and development expenditures	(9,104)	
Cash provided by (used in) investment activities	(38,334)	95,004
NET INCREASE (DECREASE) IN CASH DURING THE PERIOD	(46,946)	188,711
CASH POSITION AT BEGINNING OF YEAR	239,442	194,836
CASH POSITION AT SEPTEMBER 30	\$ 192,496	\$ 383,547



CANADIAN SPOONER RESOURCES INC.

Registered Office: Suite 916
111 Richmond Street West
Toronto, Ontario M5H 2G4

Directors: J.A. Francis
R.N. Granger, Q.C.*†
W.H.W. Latta
J.F.K. McNutt*†
E.F. Merringer*
W.S. Vaughan
D.R. Walling

* Member of Audit Committee
† Member of Executive Committee

Officers: R.N. Granger, Q.C.
Chairman of the Board, President and
Chief Executive Officer

J.A. Francis
Vice-President, Finance

U. Abolins
Vice-President, Exploration

I.D. Wallace
Treasurer

W.S. Vaughan
Secretary

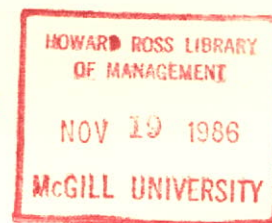
S. Smith
Assistant Secretary

Transfer Agent: Central Trust Company

Legal Counsel: Tilley, Carson & Findlay
Toronto, Ontario

Auditors: Thorne Ernst & Whinney
Toronto, Ontario

Share Listings: The Toronto Stock Exchange
The Alberta Stock Exchange



Directors' Report to the Shareholders of Canadian Spooner Resources Inc.

Your Directors are pleased to submit the Sixtieth Anniversary Annual Report for the year ended June 30, 1986. Also enclosed is the Quarterly Report for the three months ended September 30, 1986.

Corporate

Your Company was incorporated by Dominion Charter on March 26, 1926 as Spooner Oils Limited. By October of 1928, Spooner had completed its first commercial well, located on the Spooner farm in the Turner Valley area of Alberta, for a cost of \$116,138.45. Thirty years after incorporation, Mr. V.N. Harbinson gained control of the Company and operated it until 1985 under the name of Spooner Mines and Oils Limited. After sixty years of operations, the Company has consolidated its issued common shares on the basis of one new share for three old shares and has changed its name to Canadian Spooner Resources Inc. The shares of the Company are publicly traded on The Toronto and Alberta Stock Exchanges under the symbol "CSF". Spooner has approximately 5,500 registered shareholders.

Spooner forms part of the Durham Resources Group of companies which are effectively controlled by Oakwood Petroleum Ltd. Oakwood was incorporated four months prior to Spooner's founding and also completed its first producing well in the Turner Valley area of Alberta in 1928.

Now, in its sixtieth year, Spooner maintains its interests in two natural gas producing units in the Turner Valley area of Alberta and several oil and gas interests in the Dodsland area of Saskatchewan.

Mining

Croinor Gold Deposit, Quebec

The Company retains a 5% non-contributing interest in the Croinor gold property. The property is located in Pershing Township, approximately 35 miles east of Val d'Or, Quebec and consists of 98 claims totalling approximately 3,920 acres. Dominion Explorers Inc. and Sullivan Mines Inc. (operator) each hold a 50% undivided working interest in this property. To date, various reserve calculations have been carried out on the deposit and range from cut and dilute probable reserves of 425,470 tons grading 0.16 oz. of gold per ton to cut and dilute probable and possible reserves of 926,672 tons grading 0.175 oz. gold per ton.

During the spring and summer of 1986 Dominion Explorers and Sullivan carried out a drill program on the south porphyry zone to test past encouraging drill intersections. However, assay results to date have been disappointing. A fall program of surface stripping on one of the ore zones is planned in order to expose the mineralization to derive a clearer understanding of the continuity of the gold values.

Lake George Antimony Mine, New Brunswick

The Company has a management contract with Durham Resources Inc. relating to the Lake George Antimony Mine near Fredericton, New Brunswick. This contract is cost plus 2% of the net profits of the operation. The ore reserves of the No. 2 Orebody as of March 1986 stood at 1,010,637 tons of 4.04% antimony. The mill is operating at a capacity of 400 tons per day, treating both development and stope muck.

Placer Venture, Yukon

The Company has an agreement with an experienced operator to participate on an equal basis in carrying out a placer gold mining operation in the Yukon Territory. The placer claims cover a 7 mile section of unworked gravels in Seymour Creek, located approximately 45 miles west of Carmacks in south central Yukon. Under the terms of the agreement, Spooner advanced to the project the necessary capital to assemble a bulldozer-derocker-sluice box type operation and will share on a 50%-50% basis the net gold recovered after royalties of 15% raw gold. On-going operating costs of the project are equally shared and the Company owns 100% of the equipment it purchased.

The operation was tuned up during June and began full production in July. The operating period in this part of the Yukon is generally from July to September. Spooner's share of raw gold produced during this summer's operating period amounted to approximately 130 oz.

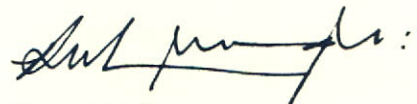
Toronto, Canada
October 30, 1986

Financial

During the year ended June 30, 1986, the Company experienced the world-wide decline in oil prices on its production revenues resulting in an overall decrease in gross revenue of 17%; however, net income remained the same at 2¢ per share or \$66,949. Cash provided by operating activities increased by \$20,000 to \$72,620 and the cash position at year end increased to \$239,442. The Company sold some of its marketable investments for a profit of \$112,000 in order to finance its initial capital investment in the Yukon placer venture.

In the year ahead, your Company hopes to be able to expand and improve upon the businesses in which it is already engaged and to find new opportunities in which to grow.

On behalf of the Board



Robert N. Granger
Chairman, President and
Chief Executive Officer

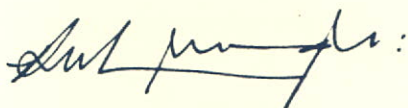
Canadian Spooner Resources Inc.

(Incorporated under the laws of Canada)

Balance Sheet as at June 30, 1986

	ASSETS	1986	1985
Current			
Cash and term deposits		\$ 239,442	\$ 194,836
Accounts receivable		22,683	105,667
		<u>262,125</u>	<u>300,503</u>
Investments (quoted market value \$487,100; 1985 - \$1,372,299)		641,287	745,874
Oil and Gas Interests		146,667	135,316
Mining Claims and Deferred Expenditures (note 2)		502,470	286,529
Fixed Assets		23,076	31,016
		<u>\$1,575,625</u>	<u>\$1,499,238</u>
	LIABILITY		
Current			
Accounts payable and accrued liabilities		\$ 38,654	\$ 29,216
	SHAREHOLDERS' EQUITY		
Capital Stock (note 3)			
Issued			
3,128,929 common shares		4,383,979	4,383,979
Deficit		<u>2,847,008</u>	<u>2,913,957</u>
		1,536,971	1,470,022
		<u>\$1,575,625</u>	<u>\$1,499,238</u>

Approved by the Directors



R.N. GRANGER
Director



E.F. MERRINGER
Director

Auditors' Report

To the Shareholders of Canadian Spooner Resources Inc.

We have examined the balance sheet of Canadian Spooner Resources Inc. as at June 30, 1986 and the statements of income, deficit and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at June 30, 1986 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
September 16, 1986

Thorne Riddell
Chartered Accountants

Canadian Spooner Resources Inc.
Statement of Income

Year ended June 30,
1986 1985

Revenue

Net revenue from oil and gas operations (gross revenue \$279,941; 1985 – \$337,696)	\$ 127,615	\$ 198,445
Net gain on sale of investments	111,693	–
Interest	30,032	34,015
	<u>269,340</u>	<u>232,460</u>
Administrative expenses	202,391	178,750
Net Income for the Year	<u>\$ 66,949</u>	<u>\$ 53,710</u>
Earnings per Share	\$0.02	\$0.02

Statement of Deficit

Deficit at Beginning of Year	\$2,913,957	\$2,967,667
Net income for the year	66,949	53,710
Deficit at End of Year	<u>\$2,847,008</u>	<u>\$2,913,957</u>

Statement of Cash Flows

Cash Provided by (Used in) Operating Activities

Net income for the year	\$ 66,949	\$ 53,710
Add charges to operations not requiring a current cash payment		
Depletion	6,310	6,900
Depreciation	18,632	20,256
Profit on sale of investments	(111,693)	–
	<u>(19,802)</u>	<u>80,866</u>
Net change in non-cash working capital balances related to operations	92,422	(28,067)
Cash provided by operating activities	<u>72,620</u>	<u>52,799</u>

Cash Provided by (Used in) Investment Activities

Investments	(201,163)	(179,750)
Proceeds from sale of investments	417,443	–
Oil and gas interests	(28,353)	(60,974)
Exploration and development expenditures	(215,941)	–
Fixed assets	–	(748)
Cash (used in) investment activities	<u>(28,014)</u>	<u>(241,472)</u>
Net Increase (Decrease) in Cash during the Year	44,606	(188,673)
Cash Position at Beginning of Year	194,836	383,509
Cash Position at End of Year	<u>\$ 239,442</u>	<u>\$ 194,836</u>

Canadian Spooner Resources Inc.
Notes to Financial Statements – Year ended June 30, 1986

1. Accounting Policies

- (a) Investments
 Investments, substantially all of which are in related companies, are recorded at cost. Because of the large number of shares held in some of the companies, the amount that may be realized on disposal of these shares may be more or less than the quoted market value.
- (b) Recovery of costs
 Oil and gas interests, and mining claims and deferred expenditures are capitalized in the accounts and are to be amortized when production is attained or the balance thereof written off when disposition occurs. These assets are recorded at cost and are not intended to represent present or future values.
- (c) Depletion and depreciation
 The company uses the successful efforts method of accounting for oil and gas properties all of which are located in Canada. Depletion has been provided on the unit of production method at rates calculated to amortize the lease costs and development expenditures in the proportion production bears to estimated reserves of oil and gas. Production equipment is depreciated on a declining balance basis at the annual rate of 10%.
 Fixed assets are recorded at cost less accumulated depreciation. Depreciation is calculated on a declining balance basis at annual rates of 20% and 30%.
 Accumulated depletion and depreciation consist of:

	1986	1985
Oil and gas interests	\$267,959	\$250,957
Fixed assets	\$ 74,158	\$ 66,218

2. Mining Claims and Deferred Expenditures

- (a) Seymour Creek, Yukon
 The company holds a 50% working interest in a placer gold mining operation in the Yukon bearing a royalty burden of 15% raw gold. Under the terms of the agreements, the company paid for 100% of preproduction expenditures, 50% of which is recoupable out of 20% of the other working interest holder's profits. The operation started producing raw gold in July, 1986.
- (b) Croinor, Quebec
 The company holds a 5% non-contributing interest in certain mining claims in Pershing Township, Quebec (the Croinor property), which is defined as 5% of the net cash flow from commercial production, after depletion and amortization.

3. Capital Stock

- (a) Authorized
 Unlimited number of
 Class "A" shares issuable in series, redeemable and one vote per share;
 Class "B" shares issuable in series, redeemable and five votes per share;
 Common shares one vote per share.
 The rights and other features of each series of class "A" and "B" shares will be determined by resolution of the Board of Directors prior to their issue.
 The common and class "A" shares have identical rights with respect to dividends whereas the class "B" shares shall be entitled to dividends of 1/5 in proportion.
- (b) Issued
 During the year, shareholders approved the consolidation of the 9,386,788 issued common shares into 3,128,929 common shares (3:1).
- (c) Options
 Under an incentive stock option plan dated October 23, 1979, 133,333 shares were set aside for options to officers, directors and key employees. At June 30, 1986, no options have been granted on these shares. Under a previous stock option plan dated November 22, 1977, there remains 9,333 shares unallocated at June 30, 1986.

Notes to Financial Statements – continued

4. Income Taxes

At June 30, 1986, the company has a tax loss carry-forward of approximately \$22,000 available until 1987 to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts. In addition, the company has costs of oil and gas interests and mining exploration expenditures available for tax purposes at June 30, 1986 of approximately \$910,000.

5. Management Contract

Under an agreement dated December 1, 1981 with respect to an antimony property at Lake George, New Brunswick, held by a related company, the company provides overall operating management, at cost plus 2% of net profits from the operations (as defined therein), until December 31, 1991.

6. Related Party Transaction

Administrative management and head office facilities were provided by Durham Resources Inc. (a related company) for \$60,000.

7. Name Change

During the year, as a result of the consolidation of issued shares, the company changed its name from Spooner Mines and Oils Limited to Canadian Spooner Resources Inc.

Canadian Spooner Resources Inc.

(Incorporated under the laws of Canada)

Management Information Circular

Solicitation of Proxies

This management information circular (the "Circular") is furnished in connection with the solicitation by and on behalf of management of Canadian Spooner Resources Inc. (the "Company") of proxies to be used at the Annual Meeting (the "Meeting") of Shareholders of the Company to be held on December 12, 1986 at the hour of 10:00 o'clock in the forenoon, local time, at the Engineers' Club, 105 Victoria Street, Toronto, Ontario, M5C 2B3 for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by employees and Directors of the Company at nominal cost. The cost of any such solicitation by management will be borne by the Company.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are Directors and/or Officers of the Company. A shareholder desiring to appoint some other person to represent him at the Meeting may do so by inserting such person's name, who need not be a shareholder of the Company, in the blank space provided in the form of proxy and striking out the names of the three persons specified or by completing another proper form of proxy. In all cases, the completed proxy is to be delivered to the registered office of the Company or to Central Trust Company prior to the day of the Meeting or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

Any shareholder giving a proxy may, in addition to any other manner of revocation permitted by law, revoke the proxy by depositing an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, at the registered office of the Company or at Central Trust Company's office at 38th floor, One First Canadian Place, Toronto, Ontario M5X 2G4, prior to the day of the Meeting or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction, such shares will be voted FOR the election of Directors and FOR the appointment of auditors as stated in this Circular.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to any amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing this Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

Voting Shares and Principal Holders Thereof

On October 30, 1986, the Company had outstanding 3,128,929 common shares without nominal or par value, each carrying the right to one vote per share. Any registered shareholder of record at the time of the Meeting will be entitled to attend and vote at the Meeting.

To the knowledge of the Directors and senior officers of the Company, the following are the only persons or companies beneficially owning, directly or indirectly, or exercising control or

direction over, greater than 10% of the voting rights attached to any class of outstanding voting securities of the Company as of October 30, 1986:

Name and Address	Number of Shares Beneficially Owned, Controlled or Directed	Percentage of Issued Shares
DURHAM RESOURCES INC. 916-111 Richmond St. West Toronto, Ontario M5H 2G4	491,833	15.7%

Election of Directors

The Board presently consists of seven Directors to be elected annually. Unless such authority is withheld, the persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom, are now members of the Board of Directors and have been since the dates indicated. Management does not contemplate that any of the nominees will be unable to serve as a Director but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each Director elected will hold office until the next annual meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company.

The following table sets forth the names of all the persons proposed to be nominated for election as Directors, all other positions and offices with the Company now held by them, their principal occupation or employments for the past five years, the year in which they became Directors of the Company, and the number of shares of the Company beneficially owned, directly or indirectly, by each of them as of October 30, 1986.

Name and Office Held	Principal Occupation	Became a Director	Shares
J.A. Francis Vice-President, Finance	Officer and/or Director of various companies associated with the Durham Resources Group	1982	1
R.N. Granger, Q.C.*† Chairman, President and Chief Executive Officer	Barrister and Solicitor, Partner, Aird & Berlis, Barristers and Solicitors	1985	1
W.H.W. Latta	Stockbroker with McDermid St. Lawrence Limited or one of its predecessor companies, St. Lawrence Securities Limited	1985	NIL
J.F.K. McNutt*†	President of William Milne & Sons Limited, Lumber Operators	1985	NIL
E.F. Merringer*	Barrister and Solicitor, Partner, Tilley, Carson & Findlay, Barristers and Solicitors	1976	NIL
W.S. Vaughan Secretary	Barrister and Solicitor, Partner, Aird & Berlis, Barristers and Solicitors	1985	NIL
D.R. Walling	President and Chief Executive Officer of D.R. Walling Co. Limited, Wholesale and Industrial Electronic Suppliers	1986	NIL

*Present member of Audit Committee

†Present member of Executive Committee

NOTE: The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective nominees individually.

If any of the above nominees is unable to serve as a Director, proxies in favour of management will be voted for another nominee in their discretion unless the shareholders has specified in the proxy that his shares are to be withheld from voting in the election of directors.

Remuneration of Directors and Officers

Remuneration of Management and Others

During the year ended June 30, 1986, Directors of the Company received \$1,800 for serving as Directors, being at a rate of \$100 for each meeting of the Board of Directors or a Committee thereof attended. The three executive officers of the Company received the aggregate sum of \$600 which amount is included in the \$1,800 referred to above. Apart from meeting attendance fees paid to the Directors, no other form of compensation was paid or is payable to the Directors and/or executive officers of the Company.

Stock Option Plan:

The Company's stock option plans provide for the granting, from time to time, at the discretion of the Board of Directors, to officers and directors and employees of the Company, the option to purchase common shares at a discount from market as permitted by regulatory authorities. The plans also provide that the term of the option may not exceed five years. There are currently a total of 142,666 shares reserved under the two plans none of which have been granted.

Interest of Management and Others in Material Transactions

Administrative, management and head office facilities were provided to the Company by Durham Resources Inc. during the financial year for the sum of \$60,000. Durham Resources Inc. owns 16% of the issued shares of the Company and has certain officers and directors in common.

Appointment of Auditors

Unless such authority is withheld, the persons named in the enclosed form of proxy intend to vote for the re-appointment of Thorne Ernst & Whinney, (formerly Thorne Riddell) Chartered Accountants, Toronto, Ontario, as auditors of the Company to hold office until the next annual meeting of shareholders and to authorize the directors to fix their remuneration.

General

Information contained herein is given as of October 30, 1986. Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. Receipt at such meeting of reports of the Directors and auditors and the Company's financial statements for its last completed financial year will not constitute approval or disapproval of any matters referred to therein. If any matters which are not now known should properly come before the meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the person voting it.

The contents and the sending of the Circular to shareholders have been approved by the Board of Directors of the Company.



W.S. Vaughan
Secretary

Toronto, Ontario
October 30, 1986

