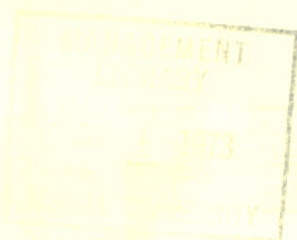


SPOONER

MINES AND OILS LIMITED

ANNUAL REPORT

**FOR THE YEAR ENDED
JUNE 30th 1972**





SPOONER

MINES AND OILS LIMITED

HEAD OFFICE:

Suite 607
80 Richmond Street West
Toronto, Ontario M5H 2B2

PETROLEUM DIVISION**Branch Office:**

Suite 703, Britannia Building
6th Avenue S.W.
Calgary, Alberta T2P 2C8

DIRECTORS:

Maxwell Bruce, Q.C.
F. D. Corman
V. N. Harbinson
J. R. Keighley
A. H. Lundin
W. L. Matthews
J. E. Prothro, Q.C.

OFFICERS:

V. N. Harbinson
Chairman of the Board & President
F. D. Corman
Vice-President, Finance
A. H. Lundin
Vice-President, International Operations
J. R. Keighley
General Manager, Exploration
J. B. Sage
Secretary-Treasurer
A. G. Matthew
Controller
M. D. McCallum
Assistant Secretary
S. D. Epp
Assistant Treasurer

TRANSFER AGENT AND REGISTRAR:

Crown Trust Company
Toronto, Ontario

AUDITORS:

Thorne Gunn & Co.
Toronto, Ontario

SHARE LISTING:

The Toronto Stock Exchange

**ANNUAL AND SPECIAL GENERAL
MEETING:**

Thursday, December 28, 1972
2:30 p.m.
in Room 5, 11th Floor
Board of Trade Building
11 Adelaide Street West
Toronto, Ontario



SPOONER MINES AND OILS LIMITED

DIRECTORS' REPORT

To the Shareholders:

Your directors are pleased to submit the Annual Report of the Company, together with the related financial statements and report of the auditors for the year ended June 30, 1972.

Outlined below is a brief summary of the Company's more significant activities.

MINING DIVISION

Consolidated Durham Mines & Resources Limited Lake George Mine—Province of New Brunswick:

During the year, considerable difficulties were encountered both financially and technically in bringing the Lake George Mine to production. These difficulties resulted from a large capital cost overrun, a serious decline in the price of antimony, together with initial metallurgical problems in obtaining an acceptable grade of antimony concentrate. In April 1972, Consolidated Durham made a proposal to its creditors whereby they agreed to a moratorium on the payment of all the Corporation's current obligations. Included in this, was approximately \$394,000 advanced by Spooner to Consolidated Durham. Ultimate payment of all the deferred liabilities is to be made by cash installments from working capital. The terms and conditions of this agreement are clearly disclosed in the auditors' notes which accompany the financial statement enclosed with this report. Subsequent to June 30th, Consolidated Durham, with the approval of the creditors' Trustee, borrowed a total of \$250,000 which is to be repaid in preference to all deferred liabilities and bears interest at the rate of 8% per annum. During the month of July, the mine was shut down in order to make the necessary changes in the mill

design, implement a water pollution control system, and undertake additional shaft sinking and underground development. Since October 3, 1972, the plant has been operating on a continuous basis and is now in a positive cash flow position. There has been a considerable strengthening of the market price of antimony concentrates as a result of the increased demand for antimony oxides which are used principally as a flame retardant. This use for antimony is expected to continue and grow. Barring any unforeseen difficulties, it is now felt that the Lake George Mine and mill are capable of sustaining uninterrupted production on a positive cash flow basis.

In consideration of the services, Spooner Mines and Oils Limited has been granted the right to acquire an additional equity interest in Consolidated Durham Mines & Resources Limited. In addition, the Company will be repaid all of its costs and receive 15% of net profits.

EXPLORATION

Ungava—Province of Quebec:

During the 1972 field season, Imperial Oil Enterprises Ltd. (a wholly-owned subsidiary of Imperial Oil Limited) continued a systematic exploration programme on the joint venture ground located in the Hopes Advance Bay area of Northern Quebec.

A large number of diamond drill targets were tested by diamond drilling, and geological, geochemical and geophysical work was continued. Several interesting sections of mineralization were intersected consisting of disseminated and sometimes massive chalcopryrite, pyrrhotite and pyrite. Diamond drilling is expected to resume in the

spring of 1973 and continue through the 1973 field season.

Sturgeon Lake—Province of Ontario:

After spending approximately \$140,000 during the field seasons of 1970, 1971 and 1972, Granges Exploration AB terminated its option to earn a 60% interest in the group of claims in which Spooner holds a 40% interest. A total of 310 claims of the original 484 have been allowed to lapse. The 174 remaining are considered to have the greatest economic potential. Sufficient work has been carried out on these remaining claims to keep them in good standing at least until late next year. In addition to the above direct interest in the Sturgeon Lake area, Spooner holds approximately 146,000 shares of NBU Mines Limited. The latter company has 33% interest in Sturgeon Lake Mines Limited, a company formed to acquire and develop the high-grade copper-zinc-silver property of NBU Mines Limited.

Western United States:

The joint venture for the exploration and development of mineral deposits on certain Southern Pacific Land Company holdings, with Parnasse Company, Inc. (wholly-owned subsidiary of Société Minière et Métallurgique de Penarroya, of France) and Noble Mines & Oils Ltd., continued during the year. The project is being managed jointly by the three companies. Several porphyry copper and molybdenum prospects have been isolated by extensive geological, geophysical and geochemical surveys. Diamond drilling on these areas has commenced and will continue in accordance with the proposed budget. Spooner Mines and Oils Limited has a 25% interest in this venture.

Petroleum Interest and Exploration:

In 1970 and 1971, Spooner and Noble Mines & Oils Ltd. were instrumental in arranging the

financing for Canada Geothermal Oil Ltd., for which it received various interests and royalties in large tracts of land in the Arctic and offshore Labrador and Newfoundland. Spooner also obtained an option on 461,000 shares of Canada Geothermal at \$1.00 per share of which an option on 368,800 shares is still in good standing. Based on the current market price, this represents a sizable source of potential funds for the Company. Canada Geothermal has significant holdings in the British and Dutch sectors of the North Sea, as well as large holdings in the Canadian Arctic Islands, offshore Labrador and Newfoundland. In addition to the above, Spooner holds various interests in developed and undeveloped acreage in Western Canada, the Canadian Arctic Islands and, through its 35% interest in New Quebec Mining and Exploration Limited, a strong mineral, petroleum and natural gas position in Greenland.

The advice and support of the Company's officers and staff during the past year are gratefully acknowledged.

The Annual and Special General Meeting of Shareholders will be held on December 28, 1972, for which a notice, proxy form and information circular are enclosed herewith. If you are unable to attend the meeting, will you please sign and return the accompanying form of proxy.

On Behalf of the Board,

V. N. HARBINSON,
Chairman and President.

Toronto, Canada,
November 29, 1972.

AUDITORS' REPORT

To the Shareholders of
Spooner Mines and Oils Limited

We have examined the balance sheet of Spooner Mines and Oils Limited as at June 30, 1972 and the statements of exploration and administrative expenditures deferred, oil and gas operations, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence 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, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE GUNN & CO.,
Chartered Accountants.

Toronto, Canada
September 20, 1972

**SPOONER MINING**

(Incorporated under the laws of the State of Nevada)

BALANCE SHEET

(with comparative figures for 1971)

ASSETS		1972	1971
CURRENT ASSETS			
Cash and short term deposits			\$ 30,000
Accounts receivable			
Trust funds			15,797
Other	\$ 120,461	193,911	
Marketable securities, at cost (quoted market value, 1972, \$16,813; 1971, \$72,183)	17,020	71,906	
Deposits and prepaid expenses	7,586	15,110	
	<u>145,067</u>	<u>326,724</u>	
DEFERRED ACCOUNTS RECEIVABLE			
Consolidated Durham Mines & Resources Limited (note 2)	394,259	10,048	
INTEREST IN AND ADVANCES TO OTHER COMPANIES (note 3)		<u>532,816</u>	<u>541,059</u>
OIL AND GAS INTERESTS (note 6)		<u>170,983</u>	<u>170,573</u>
TRUST FUNDS HELD FOR OIL EXPLORATION SYNDICATES			
Cash		9,399	
Accounts receivable		26,075	
		<u>35,474</u>	
OTHER ASSETS AND DEFERRED EXPENDITURES			
Mining claims (note 7)	150,240	131,040	
Exploration and administrative expenditures deferred	451,460	440,401	
Office equipment and vehicle, at cost less accumulated depreciation ..	6,696	9,418	
	<u>608,396</u>	<u>580,859</u>	
	<u>\$1,851,521</u>	<u>\$1,664,737</u>	

S AND OILS LIMITED

ys of Canada)

— JUNE 30, 1972

res at June 30, 1971)

LIABILITIES		1972	1971
CURRENT LIABILITIES			
Bank overdrafts, secured by shares of Consolidated Durham Mines & Resources Limited	\$	76,278	\$ 44,083
Bank loan, secured by assignment of accounts receivable and Government of Canada bonds		25,000	25,000
Accounts payable and accrued liabilities		312,251	223,599
Note payable — 10%		79,000	
		<u>492,529</u>	<u>292,682</u>
TRUST FUNDS LIABILITY			
Funds for oil exploration syndicates			19,677
Payable to Spooner Mines and Oils Limited			15,797
			<u>35,474</u>
SHAREHOLDERS' EQUITY			
Capital stock (note 8)			
Authorized — 8,500,000 shares without par value			
Issued — 7,863,344 shares (1971 — 7,643,765 shares)		3,931,486	3,651,365
Deduct deficit		2,591,694	2,314,784
		<u>1,339,792</u>	<u>1,336,581</u>
17,944 shares allotted and to be issued (note 7)		19,200	
		<u>1,358,992</u>	<u>1,336,581</u>
Contingent liabilities (note 13)			
Approved by the Board:			
V. N. HARBINSON, Director.			
F. DALE CORMAN, Director.			
		<u>\$1,851,521</u>	<u>\$1,664,737</u>



SPOONER MINES AND OILS LIMITED

STATEMENT OF EXPLORATION AND ADMINISTRATIVE EXPENDITURES DEFERRED

YEAR ENDED JUNE 30, 1972
(with comparative figures for 1971)

	1972	1971
		(note 1)
Exploration		
State of New Hampshire, U.S.A. (note 10)	\$ 204	\$ 4,143
Deduct proceeds from sale of technical data		9,788
	204	(5,645)
State of Maine, U.S.A.		6,709
Southern Pacific project — 25% interest (note 11)	80,613	138,088
Western U.S.A. area general project — 50% interest	26,067	29,026
Sicily project	2,165	
General exploration	35,121	27,252
	144,170	195,430
Administrative and general expenses (net)	140,218	87,126
Expenditures (net) for the year	284,388	282,556
Balance deferred at beginning of year	440,401	508,030
	724,789	790,586
Deduct amounts written off	273,329	350,185
Balance deferred at end of year	\$ 451,460	\$ 440,401

SUMMARY	Balance June 30, 1971	Expenditures during year	Written off during year	Balance June 30, 1972
State of New Hampshire, U.S.A. — 33½% interest	\$ 175,621	\$ 204	\$ 95,825	\$ 80,000
Southern Pacific project — 25% interest	179,033	80,613		259,646
Western U.S.A. area general project — 50% interest	78,403	26,067		104,470
Sturgeon Lake project — 40% interest	6,783			6,783
Ungava project — 100% interest	561			561
Sicily project		2,165	2,165	
General exploration		35,121	35,121	
Administrative and general expenses (net)		140,218	140,218	
	\$ 440,401	\$ 284,388	\$ 273,329	\$ 451,460



SPOONER MINES AND OILS LIMITED

STATEMENT OF OIL AND GAS OPERATIONS

YEAR ENDED JUNE 30, 1972
(with comparative figures for 1971)

	1972	1971
	(note 1)	
Sales of crude oil and natural gas	\$ 32,250	\$ 32,300
Deduct		
Royalties	5,164	5,122
Production expenses	11,713	11,272
Administrative expense	13,116	15,715
Depletion of lease costs and development expenditures (note 6)	6,294	8,870
Depreciation of production equipment	1,931	1,711
	<u>38,218</u>	<u>42,690</u>
	(5,968)	(10,390)
Royalties received less depletion of \$417 in 1972 and \$424 in 1971	1,248	1,630
Loss from oil and gas operations	<u>\$ 4,720</u>	<u>\$ 8,760</u>

STATEMENT OF DEFICIT **YEAR ENDED JUNE 30, 1972** **(with comparative figures for 1971)**

	1972	1971
		(note 1)
Deficit at beginning of year	\$2,314,784	\$1,257,335
Add		
Loss from oil and gas operations	4,720	8,760
Exploration and administrative expenditures written off	273,329	350,185
Unproductive oil and gas lease costs, development expenditures and production equipment written off	1,810	359,416
Cost of shares written down to nominal value		76,876
Interest in prospecting syndicate written off		7,409
Write-down of investment in shares of Manhattan Continental Development Corporation		221,963
Write-down of interest in subsidiary companies		
Spooners Minerals, Inc.	14,150	
Spooners Mines and Oils (Australia) N.L.		52,332
	<u>294,009</u>	<u>1,076,941</u>
	<u>2,608,793</u>	<u>2,334,276</u>
Deduct		
Profit on sale of marketable securities	16,593	
Profit on sale of equipment	506	776
Profit on sale of investments		18,716
	<u>17,099</u>	<u>19,492</u>
Deficit at end of year	<u>\$2,591,694</u>	<u>\$2,314,784</u>



SPOONER MINES AND OILS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED JUNE 30, 1972
(with comparative figures for 1971)

	1972	1971
		(note 1)
SOURCE OF FUNDS		
Depletion and depreciation not requiring current outlay of funds	\$ 8,916	\$ 11,375
Deduct loss from oil and gas operations	4,720	8,760
	<u>4,196</u>	<u>2,615</u>
Issue of shares of capital stock	280,121	145,690
Allotment of shares of capital stock to be issued for mining claims	19,200	
Proceeds from sale of oil and gas interests		4,646
Proceeds from sale of shares in other companies		39,140
Reclassification of shares in Manhattan Continental Development Corporation to current assets less write-down of \$221,963		54,886
Profit on sale of marketable securities	16,593	
Reduction in advances to other companies	3,158	
Other	604	7,342
	<u>323,872</u>	<u>254,319</u>
APPLICATION OF FUNDS		
Oil and gas interests		
Lease acquisition costs	126	8,205
Development expenditures	6,768	18,210
Production equipment, net	3,967	3,668
	<u>10,861</u>	<u>30,083</u>
Deferred accounts receivable — Consolidated Durham Mines & Resources Limited	384,211	10,048
Interest in and advances to other companies	9,078	126,386
Exploration and administrative expenditures less depreciation of \$2,362 (1971, \$3,365)	282,026	279,191
Purchase of mining claims	19,200	5,000
Purchase of vehicle		10,535
	<u>694,515</u>	<u>431,160</u>
	<u>705,376</u>	<u>461,243</u>
Decrease in working capital position	381,504	206,924
Working capital at beginning of year	34,042	240,966
Working capital (deficiency) at end of year	<u>(\$ 347,462)</u>	<u>\$ 34,042</u>



SPOONER MINES AND OILS LIMITED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1972

1. CHANGE IN ACCOUNTING PRESENTATION

Prior to 1972 the company accounted for administrative expenditures related to its exploration activities and the write-off of exploration and development costs of unproductive investments through a statement of income. In 1972 the company adopted the more usual practice for companies in the exploration and development phase of the mining industry of accounting for its exploration and administrative costs through the statement of exploration and administrative expenditures deferred. As a result, the statement of income previously presented has been discontinued with the result that the write-offs of unproductive projects and investments are now reflected directly in the statement of deficit.

The 1971 comparative figures have been reclassified to conform with the presentation adopted for 1972.

2. DEFERRED ACCOUNTS RECEIVABLE — CONSOLIDATED DURHAM MINES & RESOURCES LIMITED

Under present arrangements with Consolidated Durham, this receivable will be repaid out of production revenue following repayment of all other creditors of Consolidated Durham.

3. INTEREST IN AND ADVANCES TO OTHER COMPANIES

	1972	1971
Shares in Consolidated Durham Mines & Resources Limited		
312,500 shares, at cost	\$ 100,000	\$ 100,000
Advance (note 4)	25,000	25,000
Shares in NBU Mines Limited (note 13a)		
87,480 escrow shares		
58,870 shares, at cost	34	34
Shares in New Quebec Mining and Exploration Limited		
447,000 shares, at cost less \$7,000 forfeited on option to purchase	366,488	366,488
480,000 escrow shares, at nominal value	1	1
Shares in and advances to wholly-owned subsidiary companies (note 5)		
Spooners Mines and Oils (Australia) N.L. at nominal value	1	1
Spooners Minerals, Inc., at nominal value (1971, at cost)	1	5,072
Other shares, at cost or less	27,835	27,851
Advances to other companies	13,456	16,612
	<u>\$ 532,816</u>	<u>\$ 541,059</u>

The company has an option to purchase 461,000 shares in Canada Geothermal Oil Ltd. at \$1.00 per share for five years ending September 22, 1976 which can be exercised at a rate of no more than 20% per year on a non-cumulative basis.

4. ADVANCE TO CONSOLIDATED DURHAM MINES & RESOURCES LIMITED

The company has agreed to accept 78,125 shares of Consolidated Durham Mines & Resources Limited capital stock in settlement of this advance. This issuance is subject to the approval of the Ontario Securities Commission.

5. SUBSIDIARY COMPANIES

The financial statements of the wholly-owned subsidiary companies, Spooners Mines and Oils (Australia) N.L. and Spooners Minerals, Inc., have not been consolidated with Spooners Mines and Oils Limited as all of their expenditures have been deferred to future operations and the subsidiary companies show neither profit nor loss since incorporation.

6. OIL AND GAS INTERESTS

	1972	1971
Oil and gas leases, at cost	\$ 58,933	\$ 58,807
Development expenditures deferred	146,103	140,365
Production equipment, at cost	78,304	74,842
	<u>283,340</u>	<u>274,014</u>
Less depletion and accumulated depreciation	188,608	180,824
	<u>94,732</u>	<u>93,190</u>
Royalty interest, at cost less depletion	26,995	28,127
Participation in Arctic oil exploration, at cost	49,256	49,256
	<u>\$ 170,983</u>	<u>\$ 170,573</u>

Under letter agreements dated February 10 and 24, 1971 with Yukon Geothermal Co. Ltd. and Canada Geothermal Oil Ltd. the company, together with Noble Mines & Oils Ltd. having provided collateral for certain petroleum and natural gas exploration permits held by Yukon Geothermal and Canada Geothermal and having arranged equity financing for Canada Geothermal, Spooners and Noble jointly received a gross overriding royalty of 0.3% of all

production from the permits covered in the agreement with Yukon Geothermal and an undivided 3 1/3 % working interest in the permits covered in the agreement with Canada Geothermal.

Where oil and gas reserve figures are available, 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. Where reserve figures are not available, amortization has been determined arbitrarily.

Unproductive oil and gas lease costs and applicable deferred development expenditures are written off when it is determined that the lease area is of no further interest to the company.

	1972	1971
7. MINING CLAIMS		
UNGAVA BAY, PROVINCE OF QUEBEC		
(a) Hopes Advance Bay Area	\$ 79,000	\$ 79,000
Under an agreement dated December 19, 1969 the company purchased 1,192 claims for \$79,000 cash and the vendor shall receive further consideration of 10% of the proceeds to which the company is entitled in the event the company sells part or all of these claims. In September 1971, 376 of these claims were allowed to lapse. Pursuant to an agreement dated February 1, 1970, Imperial Oil Enterprises Ltd. agreed to undertake an exploration program on these claims.		
Imperial Oil Enterprises Ltd., as provided in this agreement, has spent \$200,000 on this exploration program by February 1, 1972, and has earned a 50% interest in the joint property. In addition, they have the further option to spend an additional \$200,000 by December 31, 1973 for which they will earn a further 25% interest in the joint property.		
The company has been notified by Imperial Oil Enterprises Ltd. that as of February 1, 1972 they have spent an additional \$104,000.		
(b) Diana Bay Area		
(i) 100 claims acquired for cash, 38 of which have not been registered in the company's name due to a jurisdictional dispute between the Federal and Provincial authorities	5,000	5,000
(ii) 320 claims acquired for a consideration of 17,944 shares of the company's capital stock	19,200	
On April 14, 1972 the company allotted 17,944 shares for the issued value of \$19,200, the issue of which is subject to approval of the Ontario Securities Commission. Subsequent to the date of the balance sheet, this approval was obtained.		
Under the agreements to purchase these claims, in (i) and (ii) above, the company has further agreed to pay the vendors of the claims 10% of the consideration to which the company is entitled on sale of part or all of these claims.		
STURGEON LAKE AREA, PROVINCE OF ONTARIO		
40% interest in 484 claims acquired for cash	47,040	47,040
	<u>\$ 150,240</u>	<u>\$ 131,040</u>

8. CAPITAL STOCK

During the year ended June 30, 1972, the company issued shares of its capital stock as follows:

150,000 shares for cash	\$ 217,500
69,579 shares for services rendered	62,621
<u>219,579 shares</u>	<u>\$ 280,121</u>

(1971, 77,000 shares for cash of \$113,960 and 25,600 shares issued in respect to employees' share options for cash of \$31,730).

Subsequent to June 30, 1972, the directors of the company proposed to allot and issue 133,500 shares of its capital stock for services rendered in the amount of \$99,373, subject to the approval of The Toronto Stock Exchange.

Options

- (a) At June 30, 1972 employees held options on 52,500 shares at \$1.25 per share expiring on June 24, 1980.
- (b) Under various agreements dated December 18, 1970 and March 30, 1971, the company has
- in consideration for services rendered to the company, during the three years ended December 31, 1970, granted irrevocable options on 125,000 shares of its capital stock at \$1.80 per share exercisable on or before December 31, 1973, and
 - in consideration for services to be rendered to the company as its fiscal agents during the three years ended December 31, 1973, granted irrevocable options on 99,000 shares of its capital stock exercisable as follows:

Number of shares	Exercisable at	On or before
41,666	\$2.05 per share	December 31, 1974
28,667	\$2.30 per share	December 31, 1975
28,667	\$2.55 per share	December 31, 1976
<u>99,000</u>		

The optionors have the right in respect to these options to elect to receive cash in lieu of these options for their services at monthly rates totalling \$1,032 per month. This election must be made in respect to each of the two years 1972 and 1973 by notice in writing prior to January 1 of the year involved. This notice for the year 1972 was not received.

9. INCOME TAXES

The company has costs of oil and gas interests, mining exploration expenditures and depreciation available for tax purposes in future years in excess of the total of costs and expenditures deferred in the accounts at June 30, 1972 of approximately \$907,000 and loss carry forwards of approximately \$167,000 are available up to 1976 in determining taxable income.

10. JOINT VENTURE — STATE OF NEW HAMPSHIRE, U.S.A.

Under an agreement dated March 1, 1972, the company entered into a joint venture with North American Exploration, Inc. (NAE) and General Crude Oil & Minerals Company, S.A. (GCO & M) for the exploration and development of certain lands and properties in the State of New Hampshire. Pursuant to this agreement, when GCO & M spends \$40,000 for costs of exploration in this area, each participant will then have a 1/3 undivided interest in the joint venture.

The three participants must pay their 33 1/3% share of agreed exploration expenditures. In the event that a participant elects not to pay its 33 1/3% share of these costs, its percentage interest is reduced accordingly until it reaches 7 1/2% in total, at which time such interest is maintained for it by the other participants in the joint venture.

11. DEFERRED EXPLORATION — SOUTHERN PACIFIC PROJECT

In conjunction with a prior joint venture on a 50/50 basis between the company and Noble Mines & Oils Ltd., an agreement dated April 1, 1970 was entered into between the company and Parnasse Delaware Company, Inc. (Parnasse), an American subsidiary of Société Minière et Métallurgique de Penarroya of Paris, France, for the exploration and development of certain leasehold interests and other adjoining acreage held under the Southern Pacific Project. Parnasse, which is to manage the project, earned a 50% interest in the project by spending U.S. \$80,000 on an exploration program in this area. The company's interest, together with the interest of Noble, has been reduced to 50% in total. The company, jointly with Noble to maintain their interest thereafter, must pay their 50% share of agreed exploration expenditures over and above the U.S. \$80,000 spent by Parnasse.

In the event that the company and Noble elect not to pay their share of these costs, their percentage interest is reduced accordingly until it reaches 10% in total, at which time such interest is maintained for them by Parnasse.

12. MANAGEMENT CONTRACT

Under a letter agreement dated July 8, 1970, ratified by the shareholders of Consolidated Durham Mines & Resources Limited on September 2, 1970, the company agreed with that corporation to act as manager of their Lake George antimony property located in the Province of New Brunswick. Under the terms of this agreement, Spooner is to provide:

- management and arrange financing in consideration for an option on 750,000 shares of Consolidated Durham Mines & Resources Limited capital stock at \$1.00 per share, exercisable on or before July 8, 1975. Under amending agreements, Spooner has agreed that it will not exercise more than 400,000 shares under this option until such time as Consolidated Durham Mines & Resources Limited increases its authorized capital to at least 5,500,000 shares.
- operating management services after production has commenced at cost plus 15% of net profits, as defined, from the operations for a period of five years from commencement of production, renewable for a further five years at Spooner's option.

13. CONTINGENT LIABILITIES

- The company has executed a guarantee in favour of the Province of New Brunswick whereby the company guarantees to the Province the bank indebtedness of Consolidated Durham Mines & Resources Limited up to a maximum of \$900,000. The company has pledged 145,800 shares of NBU Mines Limited as security to this guarantee. At June 30, 1972, this indebtedness amounted to \$750,000.
- An action was commenced in the Supreme Court of Ontario on February 20, 1969 by Ursa Polaris Developments Corporation against all parties in a syndicate of which the company was a member, and which sold its assets to Muskox Mines Limited for shares. In the opinion of the company's counsel, the action is without merit and the company, as well as the other defendants, are defending the action. The plaintiff has taken no steps towards trial since September 12, 1969. The shares of Muskox Mines Limited have been written down to a nominal value of \$1.00.

14. OTHER STATUTORY INFORMATION

	1972	1971
Number of directors	9	9
Aggregate remuneration of directors as directors	Nil	\$ 2,450
Number of officers	9	9
Aggregate remuneration of officers as officers, including consulting fees	\$ 58,915	\$ 89,750
Number of officers who are also directors	5	6
Depreciation and depletion	\$ 11,278	\$ 14,740

