
SPOONER

MINES AND OILS LIMITED

ANNUAL REPORT

**FOR THE YEAR ENDED
JUNE 30th 1973**

SPOONER MINES AND OILS LIMITED

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

*Petroleum Division
Mailing Address:* P.O. Box 7307
Postal Station "E"
Calgary, Alberta T3C 0K0

Directors: Maxwell Bruce, Q.C.
F. D. Corman
V. N. Harbinson
J. R. Keighley
J. E. Prothro, Q.C.
J. B. Sage

Officers: V. N. Harbinson
Chairman of the Board & President
F. D. Corman
Vice-President
J. B. Sage
Secretary
A. G. Matthew
Treasurer
R. A. Shaw
Assistant Secretary
S. D. Epp
Assistant Treasurer

Transfer Agent and Registrar: Crown Trust Company
Toronto, Ontario

Legal Counsel: Manning, Bruce, Macdonald & Macintosh
Toronto, Ontario

Auditors: Thorne Gunn & Co.
Toronto, Ontario

Share Listing: The Toronto Stock Exchange

Annual Meeting: Wednesday, December 19, 1973
10:00 a.m.
in Room 2, 11th Floor
Board of Trade Building
11 Adelaide Street West
Toronto, Ontario

SPOONER MINES AND OILS LIMITED

DIRECTORS' REPORT

Your Directors take pleasure in presenting the Annual Report of the Company which includes the financial statements and Auditors' Report for the year ended June 30, 1973.

Mining

Consolidated Durham Mines & Resources Limited

Significant financial and technical improvements, as well as an increase in the ore reserves, are currently being realized at the Lake George Antimony Mine of Consolidated Durham Mines & Resources Limited for which Spooner is the manager and operator, as well as being a large equity holder. Operating profit for the financial year ending June 30th, which represents approximately nine months production, amounted to \$484,000. The corresponding figure for the first quarter ending September 30, 1973 was \$575,000. These funds have mainly been used to retire some of that corporation's debt and to increase its working capital position. If current antimony concentrate prices are maintained, it is anticipated that Consolidated Durham will be free of debt within the next sixteen months.

Surface diamond drilling to the 445-foot vertical level and to the east of the main orezone have increased ore reserves to approximately 130,000 tons or slightly in excess of two years. In addition, the probability of finding additional ore below the 445-foot level and along strike is considered excellent. Details of the agreements which Spooner has with Consolidated Durham are clearly outlined in the Notes to the Financial Statements of the accompanying Balance Sheet.

Mining Exploration

Exploration in association with Parnasse Company, Inc., a wholly-owned subsidiary of La Société Minière et Métallurgique de Penarroya of France, is continuing on properties optioned from the Southern Pacific Land Company located in Western U.S.A. Of significance there are three copper prospects and one copper-gold prospect referred to as the Majuba Hills, Maria, Buffalo Valley, and Bullion Mountain projects. A diamond drilling programme is in progress at Majuba

Hills, which property adjoins that of Bethlehem Steel Corporation, also currently being drilled. Spooner has an undivided 25% interest in all of these projects.

Imperial Oil Enterprises Ltd. (a wholly-owned subsidiary of Imperial Oil Limited) continued its exploration programme on the jointly-owned property in the Hopes Advance Bay area of Northern Quebec. The Company has not yet received a report on the 1973 summer programme, but has been advised that Imperial has spent at least \$470,000 since the programme began and, thereby, has earned a 75% interest in the property.

The 174 claims held by the Company in the Sturgeon Lake area of Northwestern Ontario have now lapsed. The Company continues to hold approximately 146,000 shares of NBU Mines Limited which has a 33% interest in Sturgeon Lake Mines Limited. The construction and development programme on the Sturgeon Lake property, which is jointly owned by NBU and Falconbridge Copper Limited, is proceeding towards production from a high-grade open pit copper-zinc-silver deposit scheduled for commencement during the first quarter of 1975.

Oil and Gas

The Company retains its holdings in the Canadian Arctic and various areas of Alberta.

Options on 63,500 shares of Canada Geothermal Oil Ltd. have been exercised by the Company during the past year and the shares were subsequently sold, resulting in a net profit of \$38,687. Following renegotiation of the Option Agreement in August 1973, the Company continues to hold options on 167,700 shares of Canada Geothermal at \$1.03 per share, exercisable on instalment terms until September 23, 1976.

On behalf of the Board,

V. N. HARBINSON,
President

Toronto, Canada
November 26, 1973

SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

BALANCE SHEET—JUNE 30, 1973

(with comparative figures at June 30, 1972)

ASSETS		1973	1972
CURRENT ASSETS			
Accounts receivable.....	\$	43,852	\$ 120,461
Marketable securities, at cost (quoted market value, 1973, \$7,900; 1972, \$16,813)...		8,987	17,020
Deposits and prepaid expenses.....		5,586	7,586
		<u>58,425</u>	<u>145,067</u>
DEFERRED ACCOUNTS RECEIVABLE			
Consolidated Durham Mines & Resources Limited (note 2).....		372,359	394,259
INTEREST IN AND ADVANCES TO OTHER COMPANIES (note 3).....		<u>523,867</u>	<u>532,816</u>
OIL AND GAS INTERESTS (note 4).....		<u>148,655</u>	<u>170,983</u>
OTHER ASSETS AND DEFERRED EXPENDITURES			
Mining claims (note 5).....		126,040	150,240
Exploration and administrative expenditures deferred.....		357,691	451,460
Office equipment and vehicle, at cost less accumulated depreciation.....		4,817	6,696
		<u>488,548</u>	<u>608,396</u>
		<u>\$1,591,854</u>	<u>\$1,851,521</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank overdrafts, secured by shares of Consolidated Durham Mines & Resources Limited.....	\$	25,400	\$ 76,278
Bank loan, secured by assignment of accounts receivable and Government of Canada bonds.....		66,000	25,000
Accounts payable and accrued liabilities.....		267,484	312,251
Note payable—10%.....		73,000	79,000
		<u>431,884</u>	<u>492,529</u>
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (note 6)			
Authorized—8,500,000 shares without par value			
Issued —8,014,788 shares (1972—7,863,344 shares).....		4,050,059	3,931,486
DEFICIT.....		<u>2,890,089</u>	<u>2,591,694</u>
		<u>1,159,970</u>	<u>1,339,792</u>
SHARES ALLOTTED AND TO BE ISSUED 17,944 shares (note 6).....			19,200
		<u>1,159,970</u>	<u>1,358,992</u>
		<u>\$1,591,854</u>	<u>\$1,851,521</u>
Contingent liabilities (note 10)			

Approved by the Board

V. N. HARBINSON, Director

F. DALE CORMAN, Director

SPOONER MINES AND OILS LIMITED

STATEMENT OF EXPLORATION AND ADMINISTRATIVE EXPENDITURES DEFERRED

Year Ended June 30, 1973

(with comparative figures for 1972)

	1973	1972
Exploration		
Southern Pacific project—25% interest (note 8).....	\$ 33,262	\$ 80,613
Western U.S.A. area general project—50% interest.....	12,860	26,067
Sicily project.....	205	2,165
State of New Hampshire, U.S.A.....		204
General exploration.....	2,764	35,121
	<u>49,091</u>	<u>144,170</u>
Administrative and general expenses (net).....	90,675	140,218
Expenditures (net) for the year.....	<u>139,766</u>	<u>284,388</u>
Balance deferred at beginning of year.....	451,460	440,401
	<u>591,226</u>	<u>724,789</u>
Deduct amounts written off.....	233,535	273,329
Balance deferred at end of year.....	<u>\$357,691</u>	<u>\$451,460</u>

Summary	Balance June 30, 1972	Expenditures during year	Written off during year	Balance June 30, 1973
State of New Hampshire, U.S.A.—33⅓ % interest.....	\$ 80,000		\$ 80,000	
Southern Pacific project—25% interest.....	259,646	\$ 33,262		\$292,908
Western U.S.A. area general project—50% interest.....	104,470	12,860	59,330	58,000
Sturgeon Lake project—40% interest.....	6,783			6,783
Ungava project—100% interest.....	561		561	
Sicily project.....		205	205	
General exploration.....		2,764	2,764	
Administrative and general expenses (net).....		90,675	90,675	
	<u>\$451,460</u>	<u>\$139,766</u>	<u>\$233,535</u>	<u>\$357,691</u>

SPOONER MINES AND OILS LIMITED

STATEMENT OF OIL AND GAS OPERATIONS

Year Ended June 30, 1973

(with comparative figures for 1972)

	1973	1972
Sales of crude oil and natural gas.....	\$ 32,924	\$ 32,250
Deduct		
Royalties.....	5,272	5,164
Production expenses.....	12,537	11,713
Administrative expenses.....	9,322	13,116
Depletion of lease costs and development expenditures (note 4).....	776	6,294
Depreciation of production equipment.....	1,933	1,931
	<u>29,840</u>	<u>38,218</u>
	3,084	(5,968)
Royalties received less depletion of \$395 in 1973 and \$417 in 1972.....	1,203	1,248
Profit (loss) from oil and gas operations.....	<u>\$ 4,287</u>	<u>\$ (4,720)</u>

STATEMENT OF DEFICIT

Year Ended June 30, 1973

(with comparative figures for 1972)

	1973	1972
Deficit at beginning of year.....	\$2,591,694	\$2,314,784
Add		
Exploration and administrative expenditures written off.....	233,535	273,329
Mining claims written off.....	24,200	
Unproductive oil and gas lease costs, development expenditures and production equipment written off.....	25,701	1,810
Cost of shares written down to nominal value.....	19,246	
Loss from oil and gas operations.....		4,720
Write-down of interest in subsidiary company, Spooner Minerals Inc.....		14,150
	<u>302,682</u>	<u>294,009</u>
	<u>2,894,376</u>	<u>2,608,793</u>
Deduct		
Profit on sale of marketable securities.....		16,593
Profit from oil and gas operations.....	4,287	
Profit on sale of equipment.....		506
	<u>4,287</u>	<u>17,099</u>
Deficit at end of year.....	<u>\$2,890,089</u>	<u>\$2,591,694</u>

SPOONER MINES AND OILS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended June 30, 1973

(with comparative figures for 1972)

	1973	1972
Source of funds		
Profit (loss) from oil and gas operations.....	\$ 4,287	\$ (4,720)
Depletion and depreciation not requiring current outlay of funds.....	3,324	8,916
	7,611	4,196
Issue of shares of capital stock.....	99,373	280,121
Allotment of shares of capital stock to be issued for mining claims.....		19,200
Decrease in deferred accounts receivable—Consolidated Durham Mines & Resources Limited.....	21,900	
Profit on sale of marketable securities.....		16,593
Reduction in advances to other companies.....		3,158
Other.....		604
	<u>128,884</u>	<u>323,872</u>
Application of funds		
Oil and gas interests		
Lease acquisition costs.....	985	126
Development expenditures.....	3,536	6,768
Production equipment, net.....	1,953	3,967
	<u>6,474</u>	<u>10,861</u>
Interest in and advances to other companies.....	10,300	9,078
Exploration and administrative expenditures less depreciation of \$1,659 (1972, \$2,362)	138,107	282,026
Deferred accounts receivable—Consolidated Durham Mines & Resources Limited....		384,211
Purchase of mining claims.....		19,200
	<u>148,407</u>	<u>694,515</u>
	<u>154,881</u>	<u>705,376</u>
Decrease in working capital position.....	25,997	381,504
Working capital (deficiency) at beginning of year.....	(347,462)	34,042
Working capital deficiency at end of year.....	<u>\$373,459</u>	<u>\$347,462</u>

SPOONER MINES AND OILS LIMITED

NOTES TO FINANCIAL STATEMENTS

June 30, 1973

1. Subsidiary Companies

The financial statements of the wholly-owned subsidiary companies, Spooner Mines and Oils (Australia) N.L. and Spooner Minerals Inc., have not been consolidated with Spooner 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.

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

	1973	1972
Consolidated Durham Mines & Resources Limited		
390,625 shares (1972, 312,500 shares), at cost.....	\$125,000	\$100,000
Advance.....		25,000
Shares in Canada Geothermal Oil Ltd.		
10,000 shares, at cost.....	10,300	
Shares in NBU Mines Limited (note 10(a))		
87,480 escrowed shares }.....	34	34
58,870 shares, at cost }		
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 escrowed shares, at nominal value.....	1	1
Shares in and advances to wholly-owned subsidiary companies, at nominal value (note 1)		
Spooner Mines and Oils (Australia) N.L.....	1	1
Spooner Minerals Inc.....	1	1
Other shares, at cost or less.....	8,586	27,835
Advances to other companies.....	13,456	13,456
	<u>\$523,867</u>	<u>\$532,816</u>

Under terms of an agreement dated April 5, 1973, the company was granted an option to purchase 306,000 shares of Canada Geothermal Oil Ltd. at \$1.03 per share, with a maximum number of shares to be purchased during each period as follows:

	Number of shares
April 5 to September 23, 1973.....	92,200
September 24, 1973 to September 23, 1974.....	92,200
September 24, 1974 to September 23, 1975.....	92,200
September 24, 1975 to September 23, 1976.....	29,400
	<u>306,000</u>

The company exercised its option to purchase 10,000 shares under this agreement to June 30, 1973 and 53,500 shares subsequently, all of which were sold for a net consideration of \$104,092, providing a net profit of \$38,687. In addition, the company subsequently abated on its option to purchase 28,700 shares, available under the agreement during the period April 5 to September 23, 1973, and 46,100 shares available under the agreement during the period September 24, 1973 to September 23, 1974, for a total consideration of \$46,471 cash. The company, therefore, has options remaining on 167,700 shares of Canada Geothermal Oil Ltd. at \$1.03 per share.

4. Oil and Gas Interests

	1973	1972
Oil and gas leases, at cost.....	\$ 59,920	\$ 58,933
Development expenditures deferred.....	147,134	146,103
Production equipment, at cost.....	80,257	78,304
	<u>287,311</u>	<u>283,340</u>
Less depletion and accumulated depreciation.....	191,317	188,608
	<u>95,994</u>	<u>94,732</u>
Royalty interest, at cost less depletion.....	3,405	26,995
Participation in Arctic oil exploration, at cost.....	49,256	49,256
	<u>\$148,655</u>	<u>\$170,983</u>

SPOONER MINES AND OILS LIMITED

NOTES TO FINANCIAL STATEMENTS

June 30, 1973 (continued)

Under letter agreements dated February 10 and 24, 1972 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, Spooner and Noble jointly received a right to a gross overriding royalty of 0.3% of all production from the permits covered in the agreement with Yukon Geothermal and an undivided 31 $\frac{1}{8}$ % 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.

5. Mining Claims

	1973	1972
<i>Ungava Bay, Province of Quebec</i>		
(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. Pursuant to an agreement dated February 1, 1971, Imperial Oil Enterprises Ltd. agreed to undertake an exploration program on these claims. The company has been notified by Imperial Oil Enterprises Ltd. that as of June 30, 1973, 1,068 of the claims are to be allowed to lapse and that it has spent \$470,948 on this exploration program. Pursuant to the agreement, Imperial Oil has now earned a 75% interest in the joint property.		
(b) Diana Bay Area		
(i) 100 claims acquired for cash, which were allowed to lapse in October, 1972.....		5,000
(ii) 320 claims acquired for a consideration of 17,944 shares of the company's capital stock which were allowed to lapse in August, 1973.....		19,200
<i>Sturgeon Lake Area, Province of Ontario</i>		
40% interest in 484 claims acquired for cash, of which 310 claims were allowed to lapse to June 30, 1973.....	47,040	47,040
	<u>\$126,040</u>	<u>\$150,240</u>

6. Capital Stock

During the year ended June 30, 1973, the company issued shares of its capital stock as follows:

133,500 shares for services rendered.....	\$ 99,373
17,944 shares allotted in April, 1972 for mining claims.....	19,200
<u>151,444</u>	<u>\$118,573</u>

(1972, 150,000 shares for cash of \$217,500 and 69,579 shares issued for services rendered of \$62,621.)

Options

- (a) At June 30, 1973 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>		

7. 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, 1973 of approximately \$842,000 and loss carry forwards of approximately \$174,000 are available up to 1976 in determining taxable income.

8. 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 interest 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.

9. 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.
- 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.

10. Contingent Liabilities

- The company has executed a guarantee in favour of the Province of New Brunswick whereby the company guarantees up to December 31, 1973 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, 1973, this indebtedness amounted to \$750,000, and subsequently has been reduced to \$600,000.
- 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.
- Actions were commenced in the Supreme Court of Ontario on September 8, 1972 and April 30, 1973 by two former employees of the company. The company is defending both suits and, in the opinion of the company's counsel, it has good defences thereto.

11. Other Statutory Information

	1973	1972
Number of directors.....	6	9
Aggregate remuneration of directors as directors.....	Nil	Nil
Number of officers.....	7	9
Aggregate remuneration of officers as officers, including consulting fees.....	\$13,500	\$58,915
Number of officers who are also directors.....	4	5
Depreciation and depletion.....	\$4,983	\$11,278

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, 1973 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, 1973 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.

Toronto, Canada
September 26, 1973

THORNE GUNN & Co.,
Chartered Accountants.

