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SPOONER

MINES AND OILS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED
JUNE 30TH, 1979



The Harbinson Mining and Oil Group



SPOONER MINES AND OILS LIMITED

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

Directors: W.M. Connor
J.N. Harbinson
V.N. Harbinson
A.G. Matthew
E.F. Merringer
C.E. Page
D.C. Vickers

Officers: V.N. Harbinson
Chairman of the Board

A.G. Matthew
President

J.N. Harbinson
Executive Vice-President

D.C. Vickers
Vice-President Corporate Affairs and
Secretary-Treasurer

Transfer Agent and Registrar: Crown Trust Company
Toronto, Ontario

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

Auditors: Thorne Riddell & Co.
Toronto, Ontario

Share Listing: The Toronto Stock Exchange
The Alberta Stock Exchange



The Harbinson Mining and Oil Group

SPOONER MINES AND OILS LIMITED

Directors' Report

To the Shareholders:

MINING

Consolidated Durham Mines
& Resources Limited:

Spooner Mines and Oils Limited ("Spooner") manages the affairs of this antimony producer in New Brunswick under an Agreement whereby Spooner receives 15% of the net profit after taxes from this property. (See Auditor's notes to the financial statements.) Operations of the Durham mine were stable during the year. The demand for its product was brisk and prices increased to \$23.75 U.S. from \$16.00 U.S. per metric ton unit during its fiscal year. Net income for the year ended June 30th, 1979 rose to \$1,297,000 (26 cents a share) from \$349,500 (7 cents a share). Cash flow from Durham's operations also rose to \$1,448,110 (29 cents a share) from \$831,707 (17 cents a share). Durham's working capital at June 30th was approximately \$2,000,000 exclusive of investments of \$1,612,000 (market value \$3,747,000).

In addition Spooner now owns 725,725 shares of Consolidated Durham and received \$50,801 in dividends from this source.

NBU Mines Limited:

Spooner holds 228,914 shares of NBU Mines which company holds a joint venture interest in a base metal mine with Falconbridge Copper Mines Ltd. in the Sturgeon Lake area of Northwestern Ontario. NBU's net income for the year ended December 31, 1978 was \$4,071,696 and working capital stood at \$4,565,232. Cash flow from operations for the nine months ended September 30, 1979 was \$1,201,107 (27 cents per share) and working capital after oil and gas expenditures of \$1,365,000 stood at \$5,610,000. NBU is rapidly expanding its financial base by participations in oil and gas projects.

The Company has a one-third undivided interest in 92 claims in Pershing Township, Quebec comprising the former Croinor and Abigold properties. The remaining interest is held by Dominion Explorers Limited and Onaping Resources Limited, each as to one-third, with Onaping as operator.

Former drilling and underground sampling indicated 340,310 short tons of ore averaging 0.23 ounces of gold per ton contained in two

zones- the Shaft zone containing 237,885 tons averaging 0.25 ounces of gold per ton and the Porphyry zone containing 102,425 tons averaging 0.19 ounces of gold per ton down to the 500 foot level.

In addition to the above 340,310 tons of "Indicated Mineral Inventory" to the 500 foot level there is a potential for an additional 450,000 tons, also above the 500 foot level of the same grade, for a total of 790,000 tons of 0.23 ounces of gold per ton. There is a vertical three-compartment shaft to 500 feet on the property.

The Company's consultants, Derry, Michener & Booth have outlined 12 immediate targets to confirm and extend from surface the plunge extensions of five potential ore shoots. This will involve 13,765 feet of drilling in 28 holes. If these holes provide reasonable confirmation of the earlier drilling and underground sampling, it is recommended that the workings be dewatered and sufficient underground work be undertaken to justify production. The drilling contract has been awarded and drilling should commence around November 5th.

PETROLEUM

The Company has varying, but small interests, in the Leduc-Woodbend, Dodsland and Turner Valley Units as well as a small interest in certain permits on Bathurst Island in the Canadian Arctic and in a drilling project (Liard River) Northwest Territories. An indirect interest is still held in certain applications and permits in Greenland. It is the Company's intention to become more aggressive in the petroleum and mining fields by direct participations.

FINANCIAL

In order to undertake any significant direct participations in mining and oil ventures without disturbing its investment holdings, the Company is considering raising additional funds by way of a rights offering of its common treasury shares, possibly combined with the issuance of newly created Preference shares which will have to be authorized.

On behalf of the Board,
V.N. Harbinson
Chairman of the Board
Toronto, Canada
October 29, 1979
A.G. Matthew
President

SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

Balance Sheet**ASSETS**

	June 30,	
	1979	1978
CURRENT ASSETS		
Cash	\$ 124,405	\$ 280,518
Accounts receivable	377,509	165,502
Deposits	1,000	1,000
Prepaid expenses	44,101	—
	<u>547,015</u>	<u>447,020</u>
INTEREST IN OTHER COMPANIES (note 1)	<u>553,782</u>	<u>402,786</u>
OIL AND GAS INTERESTS (notes 2 and 6)	<u>115,321</u>	<u>93,925</u>
OTHER ASSETS		
Mining claims (notes 3 and 6)	79,000	80,000
Fixed assets, at cost less accumulated depreciation	<u>32,857</u>	<u>32,433</u>
	<u>111,857</u>	<u>112,433</u>
	<u><u>\$1,327,975</u></u>	<u><u>\$1,056,164</u></u>

LIABILITIES**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	<u><u>\$ 10,734</u></u>	<u><u>\$ 14,821</u></u>
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SHAREHOLDERS' EQUITY**CAPITAL STOCK (note 4)**

Authorized — Unlimited number of shares of one class		
Issued — 9,386,788 shares (1978, 9,023,288 shares)	4,383,979	4,253,118
DEFICIT	<u>3,066,738</u>	<u>3,211,775</u>
	<u>1,317,241</u>	<u>1,041,343</u>
	<u><u>\$1,327,975</u></u>	<u><u>\$1,056,164</u></u>

Contingent liabilities (note 8)

Approved by the Board

V.N. HARBINSON, Director

A.G. MATTHEW, Director

SPOONER MINES AND OILS LIMITED

Statement of Income

	Year ended June 30,	
	1979	1978
Revenue		
Management fees (net) (note 7)	\$165,000	\$ 61,000
Profit from oil and gas operations (gross revenue \$113,739; 1978, \$99,701)	37,246	47,083
Interest earned	32,942	21,910
Dividend income	50,801	50,301
Profit from sale of interest in other companies	30,021	
Profit from sale of fixed assets	2,052	
Income before undernoted items	318,062	180,294
Exploration and administrative expenditures written off	173,025	140,022
Income before write-off of investments	145,037	40,272
Investments written off		375,070
NET INCOME (LOSS)	<u>\$145,037</u>	<u>\$(334,798)</u>
EARNINGS (LOSS) PER SHARE	<u>\$0.015</u>	<u>\$(0.037)</u>

Statement of Deficit

	Year ended June 30,	
	1979	1978
DEFICIT AT BEGINNING OF YEAR	\$3,211,775	\$2,876,977
Net income (loss)	145,037	(334,798)
DEFICIT AT END OF YEAR	<u>\$3,066,738</u>	<u>\$3,211,775</u>

Statement of Changes in Financial Position

	Year ended June 30,	
	1979	1978
WORKING CAPITAL DERIVED FROM		
Income before undernoted items as shown on statement of income	\$318,062	\$180,294
Add items not requiring current outlay of working capital		
Depreciation and depletion	3,907	3,619
Profit on sale of interest in other companies	(30,021)	
Profit on sale of fixed assets	(2,052)	
	289,896	183,913
Issue of shares of capital stock	130,860	3,060
Proceeds from sale of fixed assets	10,265	
Proceeds from sale of interest in other companies	67,393	
	<u>498,414</u>	<u>186,973</u>
WORKING CAPITAL APPLIED TO		
Oil and gas interests	25,301	8,207
Fixed assets	20,569	17,166
Interest in other companies	188,369	50,954
Exploration and administrative expenditures less depreciation of \$11,932 (1978, \$11,531) and mining claims written off of \$1,000	160,093	128,491
	<u>394,332</u>	<u>204,818</u>
INCREASE (DECREASE) IN WORKING CAPITAL	104,082	(17,845)
WORKING CAPITAL AT BEGINNING OF YEAR	<u>432,199</u>	<u>450,044</u>
WORKING CAPITAL AT END OF YEAR	<u>\$536,281</u>	<u>\$432,199</u>

SPOONER MINES AND OILS LIMITED

Notes to Financial Statements — year ended June 30, 1979

1. INTEREST IN OTHER COMPANIES

	1979	1978
Consolidated Durham Mines & Resources Limited*		
725,725 shares at cost (quoted market value at June 30, 1979, \$1,277,276; 1978, \$595,095)	\$358,279	\$335,933
NBU Mines Limited*		
228,914 shares (170,800 shares in 1978) at cost (quoted market value at June 30, 1979, \$755,416; 1978, \$170,800)	163,652	66,000
New Quebec Mining and Exploration Limited		
447,000 shares, at nominal value (no quoted market value)	1	1
480,000 escrow shares		
Onaping Resources Limited		
29,600 shares at cost (quoted market value at June 30, 1979, \$47,360)	31,068	
Other shares, at cost (no quoted market value)	782	852
	<u>\$553,782</u>	<u>\$402,786</u>

*Because of the large number of shares held in these companies, the amount that may be realized on disposal of these shares may be more or less than the quoted market value.

2. OIL AND GAS INTERESTS

	1979	1978
Oil and gas leases, at cost	\$ 31,960	\$ 31,960
Development expenditures deferred	123,655	123,655
Production equipment, at cost	91,746	84,459
	<u>247,361</u>	<u>240,074</u>
Less depletion and accumulated depreciation	207,484	203,969
	<u>39,877</u>	<u>36,105</u>
Royalty interest, at cost less depletion	3	394
Participation in Arctic Oil exploration, at cost	57,447	57,426
Participation in Liard Project, N.W.T., at cost	17,994	
	<u>\$115,321</u>	<u>\$ 93,925</u>

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 on an estimated basis.

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.

SPOONER MINES AND OILS LIMITED

Notes to Financial Statements — year ended June 30, 1979 (continued)

3. MINING CLAIMS

	<u>1979</u>	<u>1978</u>
Ungava Bay, Province of Quebec	\$79,000	\$79,000

Under an agreement dated February 1, 1970 Imperial Oil Enterprises (Imperial Oil) agreed to undertake an exploration program on this property. Imperial Oil has spent approximately \$480,000 and thereby has earned a 75% interest in the property now under an exploration permit.

If requested, Spooener is to pay its proportionate share of expenditures in excess of \$400,000 or be abated by 1% for each \$10,000 of non-participation until it reaches a minimum of 10%. The abated interest under certain circumstances is recoverable by Spooener.

To date no request for payment has been received.

Matthews Lake Claims, Province of Ontario

23 claims were purchased for cash. These claims have been allowed to expire.	1,000
	<u>\$79,000</u>

\$80,000

4. CAPITAL STOCK

Issued

During the year ended June 30, 1979, 363,500 shares were issued for a cash consideration of \$130,860.

During the year ended June 30, 1978, 8,500 shares were issued for a cash consideration of \$3,060.

Options

Under an incentive stock option plan, 400,000 shares were set aside for options to officers, directors and key employees on November 22, 1977 and approved by the company's shareholders on December 15, 1977.

On January 11, 1978 the company granted options on 385,000 of these shares at 36¢ per share expiring on January 11, 1983. During the year ended June 30, 1979, options on 363,500 of these shares were exercised. During the year ended June 30, 1978, options on 8,500 of these shares were exercised and options on 13,000 shares were cancelled and added back to the stock option plan. Accordingly, there are no options outstanding at June 30, 1979 pertaining to this stock option plan and there remains 28,000 shares unallocated. Under a previous stock option plan an employee holds an option on 5,000 shares at \$1.25 per share expiring on June 24, 1980.

5. INCOME TAXES

No provision for income taxes is required due to the application of a portion of exploration and development expenditures deductible under the Income Tax Act.

The company has costs of oil and gas interests, mining exploration expenditures and depreciation available for tax purposes at June 30, 1979 of approximately \$1,200,000.

6. RECOVERY OF COSTS

At June 30, 1979 the cost of participating in oil and gas interests amounting to \$115,321 has been deferred with the intention that it should be amortized along with the costs of mining claims by charges against income from future oil and mining operations. The recovery of these costs is dependent, therefore, upon the obtaining of adequate financing and the development of economic oil and mining operations.

SPOONER MINES AND OILS LIMITED

Notes to Financial Statements — year ended June 30, 1979 (continued)

7. MANAGEMENT CONTRACT

Under an agreement dated July 8, 1970 with respect to an antimony property at Lake George, New Brunswick, Spooner is to provide overall operating management, after the commencement of production, at cost plus 15% of net profits, as defined, from the operations for a period of five years from January 1, 1972, renewable for a further five years at Spooner's option. Spooner exercised its option and is committed to provide management services to January 1, 1982.

8. CONTINGENT LIABILITIES

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.

9. OTHER INFORMATION

The aggregate remuneration of the seven directors of the company as directors amounted to \$1,200 in 1979 (1978 seven directors, \$1,600). The company has four officers, all of whom are directors, and the aggregate remuneration as officers amounted to nil in 1978 (1977, nil).

10. SUBSEQUENT EVENT

Under an option agreement dated July 26, 1979, the company acquired a one-third interest in 92 mining claims in Pershing Township, Province of Quebec.

The consideration given by the company for its one-third interest in these claims is as follows:

- (i) \$5,000 on signing the agreement
- (ii) \$5,000 annually on each anniversary date (August 15) up to the commencement of production
- (iii) \$5,000 yearly advance royalty after production notice is given thereby exercising the option until such time as the company has recovered its funds from production
- (iv) thereafter the vendors are entitled to a 5% net profit interest under which the payment cannot be less than \$5,000 per annum.

On failure to make the above payments the company is required to return the property to the vendors.

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, 1979 and the statements of income, deficit and changes in financial position 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, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
October 22, 1979

Thorne Riddell & Co.
Chartered Accountants

SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

HEAD OFFICE: Suite 916, 111 Richmond Street West, Toronto, Ontario

Management Proxy Circular

Solicitation of Proxies

This information circular is furnished in connection with the solicitation by the management of Spooner Mines and Oils Limited ("the Company") of proxies to be used at the Annual and Special Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the enclosed notice of meeting. It is expected that the solicitation will be primarily by mail but proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

Appointment and Revocation of Proxies

A proxy may be executed by the shareholder or his attorney in writing, or if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The persons named in the enclosed form of proxy are directors and/or senior officers of the Company. A shareholder desiring to appoint some other person to represent him at the meeting may do so either by inserting such person's name in the blank space provided on that form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company before the time of holding the meeting.

A proxy given pursuant to this solicitation may be revoked by 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, and delivered either at the head office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting, or adjournment thereof.

A shareholder may also revoke a proxy by either (a) signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing a written revocation and delivering it to the Secretary of the Company or the Chairman of the meeting, or (c) by personal attendance at the meeting.

Voting of Proxies

Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy will be voted for the election of Directors, the appointment of auditors and other items of special business as stated in the accompanying notice and under those headings in this circular, or withheld from voting or otherwise as directed in the spaces provided in the form of proxy. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, or other matters which may properly come before the meeting. At the time of printing this circular, the 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

On October 23, 1979 the Company had outstanding 9,386,788 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, greater than 10% of the outstanding equity shares of the Company as of October 23, 1979.

<u>Name and Address</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percentage of Issued Shares</u>
V.N. HARBINSON RR 1, Kinmount, Ontario (Direct and indirect)	1,684,368	17.9%

Election of Directors

The Board presently consists of seven directors to be elected annually. Each director elected will hold office until the next annual meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

In the following table and note thereto are stated 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, if any, their principal occupations or employments, the period or periods of their service as directors of the Company and the approximate number of shares of the Company beneficially owned, directly or indirectly, by each of them as of October 23, 1979.

<u>Name and Position with the Company</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number of Shares</u>
V.N. Harbinson Chairman of the Board	Mining Executive.	1956	1,684,368
A.G. Matthew President	President of Consolidated Durham Mines & Resources Limited and a Director of other resource companies.	1974	1
J.N. Harbinson Executive Vice-President	Canadian Tire Associate. Storeowner.	1978	1
E.F. Merringer	Partner, Messrs. Manning, Bruce, Macdonald & Macintosh, Toronto. Barristers & Solicitors.	1976	25
W.M. Connor	Financial Consultant prior thereto Secretary-Treasurer of Sinclair & Valentine Co. of Canada Ltd.	1978	1
C.E. Page	Geologist for the past four years. Prior thereto a Geological student.	1978	1
D.C. Vickers Vice-President Corporate Affairs and Secretary-Treasurer	Vice-President, Corporate Affairs and Secretary-Treasurer of Consolidated Durham Mines & Resources Limited and a Director of other resource companies.	1974	1

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 shareholder has specified in the proxy that his shares are to be withheld from voting in the election of directors.

Directors and Officers Remuneration:

Nature of remuneration earned

	<i>Directors' Fees</i>	<i>Salaries</i>	<i>Bonuses</i>	<i>Non-Accountable Expense Allowance</i>	<i>Others</i>	<i>Total</i>
Remuneration of Directors:						
(A) Number of Directors: 7						
(B) Body Corporate incurring the expense—Spooner Mines and Oils Limited	\$1,200	Nil	Nil	Nil	Nil	\$1,200
Remuneration of Officers:						
(A) Number of Officers: 4						
(B) Body Corporate incurring the expense—Spooner Mines and Oils Limited	Nil	Nil	Nil	Nil	(see note)	—
TOTALS:	\$1,200	Nil	Nil	Nil	—	\$1,200

NOTE: Other Remuneration:

Administrative management and head office facilities are provided to the Company by an arrangement with Professional Management Services a sole proprietorship of Mr. V.N. Harbinson, the Chairman of the Board of the Company. Financial and investment advisory services were provided to the Company by an arrangement with Chapco Investment Corporation Limited until October 5, 1978 and then Onaping Resources Limited in which companies V.N. Harbinson has a controlling interest. The amount of \$60,000 shown above is the aggregate sum paid or payable by the Company pursuant to these arrangements during the fiscal year ended June 30, 1979.

On November 22, 1977 the Board of Directors established an Incentive Stock Option Plan in the amount of 400,000 shares, which Plan was subsequently approved by the shareholders on December 15, 1977.

During January 1978, 385,000 of such shares were granted to officers, directors and employees at a price of 36 cents per share. Following the cancellation of 13,000 shares granted to an employee 372,000 shares have now been exercised, leaving 28,000 shares unallocated. In addition there remains one stock option outstanding in the amount of 5,000 shares at \$1.25 per share.

Special Resolution of Shareholders

SPECIAL MATTERS TO BE ACTED UPON:

(1) Articles of Amendment:

The Special Resolution amending the share capital of the Company must be approved by an affirmative vote of at least 2/3 of the votes cast at the meeting.

At present the authorized capital of the Company consists of an unlimited number of shares of one class. The Articles of Amendment reclassify these shares as Common Shares and authorize the Company to issue an unlimited number of Common Shares, Class "A" shares and Class "B" shares. All classes of shares are without par value.

The Class "A" shares and Common shares are entitled to one vote per share and the Class "B" shares are entitled to five votes per share. Class "A" shares and Common shares share equally as to dividends and each Class "B" share is entitled to a dividend in the amount of 20% of any dividends declared on each Class "A" share and Common share. All classes of shares rank equally as to a return of capital and any declared and unpaid dividends upon liquidation, dissolution or winding up the Company but Class "A" shares and Class "B" shares shall not be entitled to participate any further in the property or assets of the Company.

The Class "A" shares and Class "B" shares are issuable in series and, subject to the voting and dividend rights stated above, the Directors shall fix the number of shares and determine the designations, rights, priorities, restrictions and conditions attaching to each series at the time that shares of a series are issued.

The Board of Directors believes that this alteration in share capital is advisable as the flexibility thereby created will facilitate the Company in purchasing mining and/or oil and gas properties for shares and in raising the capital necessary to finance its future operations.

(2) Right of Dissent:

The Canada Business Corporations Act provides that the holders of the presently issued shares of the Company may dissent if the Company resolves to amend its articles as stated above.

Such a shareholder (a "Dissenting Shareholder") may send to the Company a written objection (a "Notice of Dissent") to the Special Resolution. In addition to any other right such a shareholder may have, such a shareholder who complies with the dissent procedure of Section 184 is entitled to be paid by the Company the fair value of the shares held by him determined as at the close of business on the day before the Special Resolution was passed by the requisite majority of shareholders.

A Dissenting Shareholder may claim under Section 184 only with respect to all the shares held by him on behalf of any one beneficial owner and registered in his name. A SHAREHOLDER WHO WISHES TO INVOKE THE PROVISIONS OF SECTION 184 MUST SEND WRITTEN NOTICE OF DISSENT TO THE REGISTERED OFFICE OF THE COMPANY TO THE ATTENTION OF THE SECRETARY, AT OR BEFORE DECEMBER 20, 1979. THE FILING OF A NOTICE OF DISSENT DOES NOT DEPRIVE A SHAREHOLDER OF HIS RIGHT TO VOTE ON THE SPECIAL RESOLUTION AND A VOTE AGAINST THE SPECIAL RESOLUTION DOES NOT CONSTITUTE NOTICE OF DISSENT.

Within 10 days after the passing of the Special Resolution, the Company is required to notify in writing each Dissenting Shareholder that the Special Resolution has been adopted by the requisite majority of shareholders. A Dissenting Shareholder shall within 20 days after he receives notice of adoption of the Special Resolution, send to the Company a written notice (the "Demand for Payment") containing his name and address, the number of shares in respect of which he dissents and a demand for payment of the fair value of the shares of the Company held by him. Within 30 days of the sending of his Demand for Payment, the Dissenting Shareholder shall send the certificates representing the shares in respect of which he dissents to the Company at the above address. The Company shall endorse thereon notice that the shareholder thereof is a Dissenting Shareholder and forthwith return the share certificates to the Dissenting Shareholder.

After sending a Demand for Payment a Dissenting Shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares of the Company held by him, unless the Dissenting Shareholder withdraws his Demand for Payment before the Company makes an offer to pay (the "Offer to Pay") or the Company fails to make an Offer to Pay and the Dissenting Shareholder withdraws his notice, or the directors revoke the resolution (to alter its share capital as authorized in the Special Resolution), in which case his rights as a shareholder are reinstated as of the date he sent the Demand for Payment.

Not later than 7 days after the later of the date of the Articles of Amendment altering the share capital as authorized by the Special Resolution or the day the Company receives a Demand for Payment, the Company shall send to each Dissenting Shareholder who has sent a Demand for Payment, an Offer to Pay for the shares of the Dissenting Shareholder in an amount considered by the directors of the Company to be the fair value thereof accompanied by a statement showing how the fair value was determined. Every Offer to Pay for shares held by Dissenting Shareholders shall be on the same terms. Any Offer to Pay accepted by a Dissenting Shareholder shall be paid by the Company within 10 days of the acceptance but an Offer to Pay lapses if the Company has not received an acceptance thereof within 30 days of making of the Offer to Pay.

If an Offer to Pay is not made by the Company or if a Dissenting Shareholder fails to accept an Offer to Pay, the Company may within 50 days after the action approved by the resolution is effective or within such further period as the Court may allow apply to a Court to fix a fair value for the shares of any Dissenting Shareholder. If the Company fails to apply to a Court under the foregoing provision, a Dissenting Shareholder may apply to a Court for the same purpose within a further period of 20 days or such further period as the Court may allow. Any such application shall be made to the Supreme Court of the Province of Ontario.

A Dissenting Shareholder is not required to give security for costs in any application to a Court and all Dissenting Shareholders whose shares have not been purchased by the Company shall be joined as parties and bound by the decision of the Court. The Company shall notify each affected Dissenting Shareholder of the date, place and consequences of an application and of the right of a Dissenting Shareholder to appear and be heard in person or by counsel.

The Court shall fix a fair value for the shares of all Dissenting Shareholders and may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the effective date of the amendment of the Company's Articles to the date of payment of the amount ordered by the Court.

The above is only a summary of the provisions of Section 184 of the Canada Business Corporation Act which are technical and complex. It is suggested that any holder of shares of the Company wishing to avail himself of his right of dissent seek his own legal advice as failure to comply strictly with the provisions of the statute may prejudice his right of dissent.

EMPLOYEE INCENTIVE STOCK OPTION PLAN:

At a meeting of the Board of Directors held on October 23, 1979 the directors approved the establishment of an Employees' Incentive Stock Option Plan covering 400,000 shares of the Company to be issued from time to time to the directors, officers and employees of the Company at the discounts permitted by The Toronto Stock Exchange and The Alberta Stock Exchange. The establishment of the Plan is subject to the approval by a majority of votes cast at the shareholders' meeting and the consent of any regulatory authority having jurisdiction.

A draft of the shareholders' resolution authorizing the establishment of the Plan, together with a copy of the Employees' Stock Option Plan, will be available to any shareholder prior to the meeting upon written request to the Secretary of the Company and to all shareholders attending the meeting.

Appointment of Auditors

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the appointment of Thorne Riddell, (formerly Thorne Riddell & Co.), Chartered Accountants, Toronto, as auditors of the Company to hold office until the next Annual Meeting of Shareholders and authorize the directors to fix their remuneration.

General

The information contained herein is given as of October 23, 1979. The management knows of no matters to come before the Annual and Special Meeting of Shareholders 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 fiscal period 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 instrument will be voted on such matters in accordance with the best judgment of the person voting it.

Toronto, Canada

October 23, 1979

