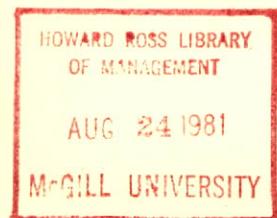

SPOONER

MINES AND OILS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED
JUNE 30TH, 1980



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
J.S. Thompson

Officers: V.N. Harbinson
Chairman of the Board
A.G. Matthew
President
J.N. Harbinson
Executive Vice-President
H.D. Harbinson
Secretary
J.A. Francis
Treasurer
W.M. Connor
Assistant Treasurer

Transfer Agent and Registrar: Crown Trust Company
Toronto, Ontario

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

Auditors: Thorne Riddell
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:

Your Directors are pleased to submit the Annual Report for the year ended June 30, 1980. Also enclosed is the Quarterly Report for the three months ended September 30, 1980.

MINING

Pershing Township, Quebec

Twenty-nine surface drill holes have now been completed on this 92 claim property, on which there is a three compartment vertical shaft to 639 feet with four levels established. These holes support the previous reserve figure of 790,000 tons, grading 0.23 ounces of gold per ton, to the 500 foot level, and holes drilled below this level indicate that this tonnage can be substantially increased. Consultants to the Company have recommended an intensive program of underground development. The claims straddle approximately 4½ miles of favourable structure, and the present drilling has been confined to a length of only 3,200 feet. Good gold values have been encountered on the relatively untested ground and will be followed up. Spooner, Dominion Explorers Limited and Onaping Resources Limited each have a one-third undivided interest in the project, of which Onaping is the operator. In the opinion of your Chairman, a substantial mining operation is shaping up for this property. It is anticipated that financial plans for the underground program will be submitted shortly.

Consolidated Durham Mines & Resources Limited

Spooner is currently managing the affairs of this antimony producer in New Brunswick under an agreement whereby Spooner receives 15% of the net profit after taxes (see Auditors' Notes to the Financial Statements). Mining and milling operations were normal during the year. Net income for the year ended June 30, 1980 rose to \$1,549,000 from \$1,297,000 (1979). Working capital at June 30, 1980

was \$6,089,275, exclusive of investments carried at a cost of \$4,267,719 and with a market value at October 31, 1980 of \$22,052,720.

Consolidated Durham has recently outlined a potential new antimony orebody about one-half mile north-northwest of its present workings. Reserves of this new occurrence are estimated at 803,110 tons of antimony, grading 3.10%. "In-fill" drilling of 30,000 feet to confirm this tonnage is about to commence. Also, tungsten/molybdenite/gold occurrences about one mile north of the shaft appear to be of significance. In all, three drill rigs will be on these new finds.

PETROLEUM

The Company has varying, but small interests, in the Leduc-Woodbend, Dodslane and Turner Valley Units as well as a small interest in certain permits on Bathurst Island and 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

Working capital at June 30, 1980 was \$389,154. This excludes investments at a cost of \$588,851, having a market value of \$3,500,676 at October 31, 1980.

On behalf of the Board,

V.N. Harbinson
Chairman

Toronto, Canada
November 5, 1980

SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

Balance Sheet

ASSETS

	June 30,	
	1980	1979
CURRENT ASSETS		
Cash	\$ 224,679	\$ 124,405
Accounts receivable	188,323	377,509
Deposits	1,000	1,000
Prepaid expenses	44,101	
	<u>414,002</u>	<u>547,015</u>
INVESTMENTS IN OTHER COMPANIES (note 1)	<u>588,981</u>	<u>553,782</u>
OIL AND GAS INTERESTS (notes 2 and 6)	<u>170,062</u>	<u>115,321</u>
OTHER ASSETS		
Mining claims (notes 4 and 6)	79,000	79,000
Fixed assets, at cost less accumulated depreciation	49,518	32,857
Croinor Pershing Project, Quebec (note 5)	5,600	
Exploration expenditures deferred (note 6)	86,969	
	<u>221,087</u>	<u>111,857</u>
	<u><u>\$ 1,394,132</u></u>	<u><u>\$ 1,327,975</u></u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	<u>\$ 24,848</u>	<u>\$ 10,734</u>
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SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 7)

Issued — 9,386,788 Common shares (1979, 9,386,788 shares)	4,383,979	4,383,979
DEFICIT	3,014,695	3,066,738
	<u>1,369,284</u>	<u>1,317,241</u>
	<u><u>\$ 1,394,132</u></u>	<u><u>\$ 1,327,975</u></u>

Approved by the Board



Director



Director

SPOONER MINES AND OILS LIMITED

Statement of Income

	Year ended June 30,	
	1980	1979
Revenue		
Management fees (net) (note 9)	\$ 175,000	\$ 165,000
Profit from oil and gas operations (gross revenue \$128,264; 1979, \$113,739)	45,501	37,246
Investment income, including profit from sale of investments in other companies	80,045	113,764
Profit from sale of fixed assets		2,052
Income before undernoted item	300,546	318,062
Exploration and administrative expenditures written off	248,503	173,025
NET INCOME	<u>\$ 52,043</u>	<u>\$ 145,037</u>
EARNINGS PER SHARE	\$0.006	\$0.015

Statement of Deficit

	Year ended June 30,	
	1980	1979
DEFICIT AT BEGINNING OF YEAR	\$ 3,066,738	\$ 3,211,775
Net income	<u>52,043</u>	<u>145,037</u>
DEFICIT AT END OF YEAR	<u>\$ 3,014,695</u>	<u>\$ 3,066,738</u>

Statement of Changes in Financial Position

	Year ended June 30,	
	1980	1979
WORKING CAPITAL DERIVED FROM		
Income before undernoted items as shown on statement of income	\$ 300,546	\$ 318,062
Add items not requiring current outlay of working capital		
Depreciation and depletion	3,324	3,907
Profit on sale of investments in other companies	(44,016)	(30,021)
Profit on sale of fixed assets		(2,052)
	259,854	289,896
Issue of shares of capital stock		130,860
Proceeds from sale of fixed assets		10,265
Proceeds from sale of investments in other companies	44,016	67,393
	303,870	498,414
WORKING CAPITAL APPLIED TO		
Oil and gas interests	58,065	25,301
Croinor Pershing Project, Quebec	5,600	
Fixed assets	36,526	20,569
Investments in other companies	35,199	188,369
Exploration expenditures deferred	86,969	
Exploration and administrative expenditures less depreciation of \$19,865 (1979, \$11,932) and mining claims written off of nil (1979, \$1,000)	228,638	160,093
	450,997	394,332
INCREASE (DECREASE) IN WORKING CAPITAL	(147,127)	104,082
WORKING CAPITAL AT BEGINNING OF YEAR	<u>536,281</u>	<u>432,199</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 389,154</u>	<u>\$ 536,281</u>

SPOONER MINES AND OILS LIMITED

Notes to Financial Statements — year ended June 30, 1980

1. INVESTMENTS IN OTHER COMPANIES

	1980	1979
Consolidated Durham Mines & Resources Limited*		
750,000 shares (725,725 shares in 1979) at cost (quoted market value at June 30, 1980, \$2,092,500; 1979, \$1,277,276)	\$ 393,478	\$ 358,279
NBU Mines Limited*		
228,914 shares at cost (quoted market value at June 30, 1980, \$828,427; 1979, \$755,416)	163,652	163,652
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, 1980, \$133,200; 1979, \$47,360)	31,068	31,068
Other shares, at cost (no quoted market value)	782	782
	<u>\$ 588,981</u>	<u>\$ 553,782</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

	1980	1979
Oil and gas leases, at cost	\$ 31,960	\$ 31,960
Development expenditures deferred	123,655	123,655
Production equipment, at cost	94,001	91,746
	249,616	247,361
Less depletion and accumulated depreciation	210,808	207,484
	38,808	39,877
Royalty interest, at cost less depletion	3	3
Participation in Arctic Oil exploration, at cost	57,447	57,447
Participation in Liard Project, N.W.T., at cost	61,620	17,994
Participation in Pincher Creek Area, Alberta, at cost (note 3)	12,184	
	<u>\$ 170,062</u>	<u>\$ 115,321</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, 1980 (continued)

3. OIL AND GAS INTERESTS

Pincher Creek Area, Alberta

Pursuant to two agreements dated June 26, 1980 with NBU Mines Limited (NBU), the company acquired a 2½% undivided working interest out of NBU's interest which is the right to earn into approximately 20 selected sections of the farmers' lands.

Subsequent to June 30, 1980, the Pincher Creek Well has been found dry and has been abandoned. The results of this test have condemned the properties and the overall project has been discontinued. As soon as all applicable costs are known they will be written off.

4. MINING CLAIMS

Ungava Bay, Province of Quebec

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 \$520,500 and thereby has earned a 75% interest in the property now under an exploration permit.

If requested, Spooner 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 Spooner.

To date no request for payment has been received.

5. CROINOR PERSHING PROJECT, QUEBEC

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.

6. RECOVERY OF COSTS

At June 30, 1980 the cost of participating in oil and gas interests amounting to \$170,062 and exploration expenditures amounting to \$86,969 have been deferred with the intention that they 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, 1980 (continued)

7. CAPITAL STOCK

(a) Certificate of Amendment

On January 15, 1980 the company received a Certificate of Amendment issued by the Government of Canada which had the following effect on the company's authorized capital:

- (i) designated existing shares of the company as common shares
- (ii) created Class "A" and Class "B" shares
- (iii) authorized the company to issue an unlimited number of Class "A" shares, Class "B" shares and common shares.

(b) Authorized

Unlimited number of

Class "A" shares

Class "B" shares

Common shares

The Class "A" and "B" shares are issuable in series and redeemable at the amount paid up thereon. The designation, preferences, rights, conditions, restrictions, limitations, prohibitions and redemption features of each series will be determined by resolution of the Board of Directors prior to their issue.

The holders of these shares are entitled to cast votes for each share held as follows:

Class "A" one vote

Class "B" five votes

The Class "A", Class "B" and common shares have identical rights with respect to dividends except that if and when any dividends are properly declared by the Board of Directors of the company they shall be declared and payable to the holders of such shares in the following proportion:

Class "A" shares	One
Class "B" shares	One-fifth
Common shares	One

(c) Options

Under an incentive stock option plan, 400,000 shares were set aside for options to officers, directors and key employees on October 23, 1979 and approved by the company's shareholders on December 20, 1979. At June 30, 1980, no options have been granted on these shares.

Under a previous stock option plan dated November 22, 1977, there remains 28,000 shares unallocated at June 30, 1980.

Under a previous stock option plan, the remaining outstanding option on 5,000 shares at \$1.25 per share expired on June 24, 1980.

8. 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, 1980 of approximately \$1,200,000.

SPOONER MINES AND OILS LIMITED

Notes to Financial Statements — year ended June 30, 1980 (continued)

9. 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 to January 1, 1982. Accounts receivable at June 30, 1980 include \$105,000 due from Consolidated Durham Mines & Resources Limited under this contract.

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, 1980 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, 1980 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
September 5, 1980

Thorne Riddell
Chartered Accountants

SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

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

Management Information 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 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.

Exercise of Discretion by Proxy

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 and the appointment of auditors as stated in the accompanying notice and under those headings in this circular, or withheld from voting or otherwise voted 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 November 6, 1980 the Company had outstanding 9,386,788 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 exercise control or direction over, greater than 10% of the outstanding equity shares of the Company as of November 6, 1980.

<u>Name and Address</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percentage of Issued Shares</u>
V.N. HARBINSON R.R.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 employment for the five preceding years, 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 November 6, 1980.

The company is required to have an audit committee and the present members of such committee are indicated with an asterisk.

<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	President, John N. Harbinson Limited	1978	1
*E.F. Merringer	Partner, Messrs. Manning, Bruce, Macdonald & Macintosh, Toronto, Barristers & Solicitors.	1976	25
*C.E. Page	Geologist.	1978	1
B.V. Reed, Q.C.	Barrister & Solicitor, Partner McLaws & Co., Calgary, Alberta	1980	Nil
J.S. Thompson	Petroleum Engineer	1980	Nil

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.

Remuneration of Management and Others

Nature of Remuneration			
	<i>From Office, Employment and Employer Contributions (Aggregate)</i>	<i>Cost of Pension Benefits (Aggregate)</i>	<i>Other (Aggregate)</i>
I DIRECTORS (Total Number: 7)			
(a) From Company and wholly-owned subsidiaries:	\$1,700	Nil	Nil
(b) From partially-owned subsidiaries:	—	—	—
Total:	\$1,700	Nil	Nil
II 5 SENIOR OFFICERS: OFFICERS RECEIVING OVER \$50,000:			
(a) From Company and wholly-owned subsidiaries:	Nil	Nil	Nil
(b) From partially-owned subsidiaries:	—	—	—
Total:	Nil	Nil	Nil
III OFFICERS WITH REMUNERATION OVER \$50,000 (Total Number: Nil)			
(a) From Company and wholly-owned subsidiaries:	Nil	Nil	Nil
(b) From partially-owned subsidiaries:	—	—	—
Total:	Nil	Nil	Nil

NOTE: The amounts appearing under the heading "Other" are with respect to both the last completed financial year of the Company and future years.

Other Remuneration of Management and Others

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 are provided to the Company by an arrangement with Onaping Resources Limited in which V.N. Harbinson has a controlling interest. The amount of \$83,000 is the aggregate sum paid or payable by the Company pursuant to these arrangements during the fiscal year ended June 30, 1980.

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. To date 20,000 shares remain unallocated under this Plan.

On October 23, 1979, the Board of Directors established a new Incentive Stock Option Plan in the amount of 400,000 shares of the Company to be issued from time to time to the directors, officers and employees of the Company, which Plan was subsequently approved by shareholders on December 20, 1979. To date no shares have been allotted under the plan.

Appointment of Auditors

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the appointment of Thorne Riddell, 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 November 6, 1980. The management knows of no matters to come before the Annual 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.

The contents and the sending of this Management Information Circular have been approved by the Board of Directors of the Company.

H.D. Harbinson
H.D. Harbinson
Secretary

Toronto, Canada
November 6, 1980.

