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# SPOONER

**MINES AND OILS LIMITED**

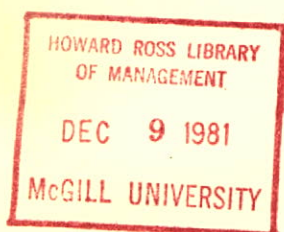
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## ANNUAL REPORT

FOR THE YEAR ENDED  
JUNE 30, 1981



The Harbinson Mining and Oil Group





# SPOONER MINES AND OILS LIMITED

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

*Directors:* J.N. Harbinson  
V.N. Harbinson  
A.G. Matthew  
E.F. Merringer  
C.E. Page  
B.V. Reed, Q.C.  
J.S. Thompson

*Officers:* V.N. Harbinson  
Chairman of the Board

A.G. Matthew  
President

J.N. Harbinson  
Executive Vice-President

C.E. Page  
Vice-President, Exploration

H.D. Harbinson  
Secretary

B.V. Reed, Q.C.  
Assistant 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

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### TO THE SHAREHOLDERS:

Your Directors hereby submit the Annual Report for the year ended June 30, 1981. Also enclosed is the Quarterly Report for the three months ended September 30, 1981.

### PETROLEUM:

As announced by the Alberta Government in October, the Alberta Royalty Tax Credit has been revised increasing the royalty rebate to small producers from 25% to 50%. This legislation should increase the Company's net revenue from its varying interests in the Leduc-Woodbend and Turner Valley Units.

An indirect interest is still held in certain applications and permits in Greenland.

### MINING:

#### Consolidated Durham Mines & Resources Limited

The management contract that the Company has with Consolidated Durham Mines & Resources Limited relating to Durham's Lake George mine expires on January 1, 1982. A new ore body has been located on Durham's property, and the Company is discussing with Durham's management the terms upon which the management agreement might be renewed.

The terms of the present contract are referred to in the Notes to Financial Statements (Number 5).

#### Pershing Township, Quebec

Under an agreement dated November 7, 1979, the Company became a one-third interest joint venture partner in the Croinor-Pershing gold property in Quebec. Several million dollars have been expended on exploration and development of this property to date, and a minimum of seven million dollars will be required to bring the property to a stage where trucking of the ore to a custom mill would be possible.

Efforts have been made to raise funds in order for Spooner to maintain its one-third undivided interest in the property, but due to the large number of shares required to be issued to provide these funds, the current depressed conditions of the financial markets and the stricter regulatory controls on the percentage of shares which can be issued, the Company has not been able to meet its assessments on an on-going basis. It has therefore elected, pursuant to the agreement, to accept a 5% non-assessable net carried interest.

Under this arrangement, Spooner will be able to recoup any expenditures made to date, but will not be responsible for any further exploration, development and capital costs. However, it will be responsible for 5% of operating costs if the mine is brought into production on a profitable basis.

On behalf of the Board,



V. N. Harbinson  
Chairman

Toronto, Canada  
November 6, 1981

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# SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

## Balance Sheet

ASSETS		
	June 30,	
	1981	1980
CURRENT		
Cash .....	\$ 120,350	\$ 224,679
Accounts receivable .....	135,022	189,323
	<u>255,372</u>	<u>414,002</u>
INVESTMENTS (quoted market value 1981 — \$4,081,723; 1980 — \$3,054,127) .....	588,981	588,981
OIL AND GAS INTERESTS .....	95,092	170,062
MINING CLAIMS AND DEFERRED EXPENDITURES (note 2) .....	358,863	171,569
FIXED ASSETS .....	58,399	49,518
	<u>\$1,356,707</u>	<u>\$1,394,132</u>
LIABILITY		
CURRENT		
Accounts payable and accrued liabilities .....	\$ 20,591	\$ 24,848
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 3)		
Issued — 9,386,788 common shares .....	4,383,979	4,383,979
DEFICIT .....	3,047,863	3,014,695
	<u>1,336,116</u>	<u>1,369,284</u>
	<u>\$1,356,707</u>	<u>\$1,394,132</u>

Approved by the Directors:



V. N. HARBINSON, Director



A. G. MATTHEW, Director

## 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, 1981 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, 1981 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  
August 25, 1981

THORNE RIDDELL  
Chartered Accountants

# SPOONER MINES AND OILS LIMITED

## Statement of Income

	Year ended June 30,	
	1981	1980
Revenue		
Management fees (net) (note 5) .....	\$ 130,000	\$ 175,000
Profit on oil and gas operations (gross revenue \$135,766; 1980 — \$128,264) .....	42,051	45,501
Profit on sale of investments .....	116,399	44,016
Interest .....	17,264	36,029
	305,714	300,546
Oil and gas and administrative expenditures written off .....	338,882	248,503
NET INCOME (LOSS) FOR THE YEAR .....	\$ (33,168)	\$ 52,043
EARNINGS (LOSS) PER SHARE .....	\$ (0.004)	\$ 0.006

## Statement of Deficit

DEFICIT AT BEGINNING OF YEAR .....	\$3,014,695	\$3,066,738
Net income (loss) for the year .....	(33,168)	52,043
DEFICIT AT END OF YEAR .....	\$3,047,863	\$3,014,695

## Statement of Changes in Financial Position

WORKING CAPITAL DERIVED FROM		
Net income (loss) for the year .....	\$ (33,168)	\$ 52,043
Items not involving working capital		
Depletion and depreciation .....	22,666	23,189
Profit on sale of investments .....	(116,399)	(44,016)
Oil and gas interests written off .....	166,079	
	39,178	31,216
Proceeds on sale of fixed assets .....	10,666	
Proceeds on sale of investments .....	116,399	44,016
	166,243	75,232
WORKING CAPITAL APPLIED TO		
Investments .....		35,199
Oil and gas interests .....	94,434	58,065
Mining claims and deferred expenditures .....	187,294	92,569
Fixed assets .....	38,888	36,526
	320,616	222,359
DECREASE IN WORKING CAPITAL .....	154,373	147,127
WORKING CAPITAL AT BEGINNING OF YEAR .....	389,154	536,281
WORKING CAPITAL AT END OF YEAR .....	\$ 234,781	\$ 389,154



# SPOONER MINES AND OILS LIMITED

## Notes to Financial Statements — June 30, 1981

### 1. ACCOUNTING POLICIES

#### (a) Investments

Investments are recorded at the lower of cost and net realizable value. Because of the large number of shares held in some of the companies, the amount that may be realized on disposal of these shares may be more or less than the quoted market value.

#### (b) Recovery of costs

Oil and gas interests, and mining claims and deferred expenditures are capitalized in the accounts to be amortized when production is attained or the balance thereof written off when disposition occurs. These assets are recorded at cost and are not intended to represent present or future values.

#### (c) Depletion and depreciation

Oil and gas interests are recorded at cost less accumulated depletion. 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.

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is calculated on a declining balance basis at annual rates of 20% or 30%.

Accumulated depletion and depreciation consist of:

	1981	1980
Oil and gas interests .....	\$214,133	\$210,808
Fixed assets .....	40,561	44,959

### 2. MINING CLAIMS AND DEFERRED EXPENDITURES

#### (a) Ungava Bay, Quebec

\$ 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 \$520,000 and thereby has earned a 75% interest in the property now under an exploration permit.

If requested, the company 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 the company.

To date no request for payment has been received.

#### (b) Croinor Pershing Project, Quebec

279,863

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.

Under an agreement dated November 7, 1979, the company became a one third joint venturer in this project along with Onaping Resources Limited, a related party and operator, and Dominion Explorers Limited. The company's interest was abated to 9 1/3% for failure to pay its proportionate share of exploration and development expenditures. Subsequent to the year end, the company's interest was further abated to a 5% non-assessable net carried interest. After recoupment, the company shall have a 5% working interest.

\$358,863

# SPOONER MINES AND OILS LIMITED

## Notes to Financial Statements — June 30, 1981 (continued)

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### 3. CAPITAL STOCK

#### (a) Authorized

Unlimited number of

Class "A" shares issuable in series, redeemable and one vote per share;

Class "B" shares issuable in series, redeemable and five votes per share;

Common shares one vote per share.

The rights and other features of each series of class "A" and "B" shares will be determined by resolution of the Board of Directors prior to their issue.

The common and class "A" shares have identical rights with respect to dividends whereas the class "B" shares shall be entitled to dividends of  $\frac{1}{5}$  in proportion.

#### (b) Options

Under an incentive stock option plan dated October 23, 1979, 400,000 shares were set aside for options to officers, directors and key employees. At June 30, 1981, no options have been granted on these shares.

Under a previous stock option plan dated November 22, 1977, there remain 28,000 shares unallocated at June 30, 1981.

### 4. 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 and mining exploration expenditures available for tax purposes at June 30, 1981 of approximately \$1,140,000.

### 5. MANAGEMENT CONTRACT

Under an agreement dated July 8, 1970 with respect to an antimony property at Lake George, New Brunswick, the company 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, 1981 include \$80,000 due from Consolidated Durham Mines & Resources Limited, a related company, under this contract.

### 6. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the 1981 financial statement presentation.

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# SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

## Information Circular

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### 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 9, 1981 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 exercising control or direction over, greater than 10% of the outstanding equity shares of the Company as of November 9, 1981.

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<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 9, 1981.

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 and Oil Executive.	1956	1,684,368
*A.G. Matthew President	Mining and Oil Executive.	1974	1
J.N. Harbinson Executive Vice-President	President, John N. Harbinson Limited.	1978	1
*E.F. Merringer	Partner, Manning, Bruce, Macdonald & Macintosh, Barristers & Solicitors, Toronto, Ontario.	1976	25
C.E. Page Vice-President, Exploration	Geologist.	1978	1
*B.V. Reed, Q.C.	Barrister & Solicitor, 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.

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## 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:	\$1,300	Nil	Nil
(b) From partially-owned subsidiaries:	Nil	Nil	Nil
Total:	\$1,300	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:	Nil	Nil	Nil
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:	Nil	Nil	Nil
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 \$51,000 is the aggregate sum paid or payable by the Company pursuant to these arrangements during the fiscal year ended June 30, 1981.

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 28,000 shares remain unallocated under this Plan.



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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 to authorize the directors to fix their remuneration.

#### **General**

The information contained herein is given as of November 9, 1981. 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 9, 1981.

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