

C

SPOONER

MINES AND OILS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED
JUNE 30, 1983



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.A. Francis
J.N. Harbinson
V.N. Harbinson
E.F. Merringer
C.E. Page
B.V. Reed, Q.C.
J.S. Thompson

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

I.D. Wallace
Assistant Treasurer

Transfer Agent and Registrar: Central Trust Company
Toronto, Ontario

Legal Counsel: Tilley, Carson & Findlay
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 hereby submit the Annual Report for the year ended June 30, 1983. Also enclosed is the Quarterly Report for the three months ended September 30, 1983.

The Company continues to hold minor interests in the Turner Valley Units No. 4 and No. 7 and is participating in a new gas plant being built in the Turner Valley Area, Alberta. The Company also has a small interest in the South and North Eureka Units in Saskatchewan as well as in the Gleneath and the Viking Gas Unit in the Dodsland Area, Saskatchewan. It also holds an interest of 6.25% and 17.5% in two recently drilled oil wells in the Dodsland Area, Saskatchewan.

The Company has entered into a new management contract with Consolidated Durham Mines & Resources Limited relating to the latter company's Lake George Antimony Mine near Fredericton, New Brunswick. The Company received no income from this source during the current year due to the low prevailing price of antimony in concentrate form. The basis of the contract is cost plus 2% of net profits from operations. Antimony prices once again appear to be in an upward cycle which could trigger off the development of the company's No.2 orebody. This upward price movement is being carefully monitored.

Spooner still retains a 5 percent non-assessable net carried interest in the Croinor-Pershing gold property in Quebec. (Kindly refer to Note 2 of the Financial Statements.) Sullivan has informed the Company that it has to date carried out approximately 40,000 feet of underground and surface diamond drilling. Also, Sullivan has completed the dewatering, mapping and check sampling of the underground workings and has started raising on ore shoots from the second level to test their continuity. In addition, a 1,500 ton bulk sample is planned to be taken from the first level to check the ore's metallurgical and recovery capabilities. It is anticipated that Sullivan will shortly inform the Company of its intention to elect to exercise its option. Sullivan has expressed continued optimism on the work carried out on the property to date.

On behalf of the Board,




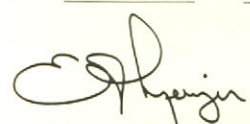
V.N. Harbinson
Chairman

November 14, 1983
Toronto, Canada

SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

Balance Sheet

	June 30,	
	1983	1982
ASSETS		
CURRENT		
Cash and short term deposits	\$ 451,600	\$ 76,448
Accounts receivable	32,497	10,154
	484,097	86,602
INVESTMENTS (quoted market value \$1,009,925, 1982 — \$725,479)	399,874	588,981
NON-CURRENT ACCOUNTS RECEIVABLE	82,000	51,500
OIL AND GAS INTERESTS	71,966	38,057
MINING CLAIMS AND DEFERRED EXPENDITURES (note 2)	286,529	365,529
FIXED ASSETS	33,117	43,670
	<u>\$1,357,583</u>	<u>\$1,174,339</u>
LIABILITY		
CURRENT		
Accounts payable and accrued liabilities	\$ 20,492	\$ 18,659
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 3)		
Issued — 9,386,788 common shares	4,383,979	4,383,979
DEFICIT	3,046,888	3,228,299
	1,337,091	1,155,680
	<u>\$1,357,583</u>	<u>\$1,174,339</u>
Approved by the Directors:		
 V.N. HARBINSON, Director	 E. F. MERRINGER, 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, 1983 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, 1983 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 9, 1983

Thorne Riddell
Chartered Accountants

SPOONER MINES AND OILS LIMITED

Year ended June 30,

1983 1982

Statement of Income

Revenue

Profit on oil and gas operations (gross revenue \$217,018, 1982 — \$157,320)	\$ 111,153	\$ 43,208
Profit on sale of investments	231,032	
Interest	29,066	5,728
	371,251	48,936
Administrative, oil and gas, and exploration expenditures written off	189,840	229,372
NET INCOME (LOSS) FOR THE YEAR	\$ 181,411	\$ (180,436)
EARNINGS (LOSS) PER SHARE	\$ 0.019	\$ (0.019)

Statement of Deficit

DEFICIT AT BEGINNING OF YEAR	\$3,228,299	\$3,047,863
Net income (loss) for the year	181,411	(180,436)
DEFICIT AT END OF YEAR	\$3,046,888	\$3,228,299

Statement of Changes in Financial Position

WORKING CAPITAL DERIVED FROM

Net income for the year	\$ 181,411	
Items not involving working capital		
Depletion and depreciation	17,394	
Profit on sale of investments	(231,032)	
Mining claims and deferred expenditures written off	79,000	
	46,773	
Proceeds on sale of fixed assets		\$ 20,500
Proceeds on sale of investments	436,105	
	482,878	20,500

WORKING CAPITAL APPLIED TO

Loss for the year		180,436
Items not involving working capital		
Depletion and depreciation		(17,637)
Oil and gas interests written off		(57,509)
Loss on disposal of fixed assets		(6,049)
		99,241
Oil and gas interests	40,750	3,946
Mining claims and deferred expenditures		6,666
Increase in non-current accounts receivable	30,500	10,000
Fixed assets		25,985
Investments	15,966	
	87,216	145,838
INCREASE (DECREASE) IN WORKING CAPITAL	395,662	(125,338)
WORKING CAPITAL AT BEGINNING OF YEAR	67,943	193,281
WORKING CAPITAL AT END OF YEAR	\$ 463,605	\$ 67,943

SPOONER MINES AND OILS LIMITED

Notes to Financial Statements — June 30, 1983

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:

	1983	1982
Oil and gas interests	\$224,445	\$217,604
Fixed assets	53,901	43,348

2. MINING CLAIMS AND DEFERRED EXPENDITURES

The company presently holds a 5% non-assessable net carried interest, which becomes a 5% working interest after recoupment, in certain mining claims in Pershing Township, Quebec (the Croinor Property).

During the year, Sullivan Mining Group Ltd. signed an option agreement whereby they are to spend a minimum of \$1,600,000 on exploration and development in order to acquire an undivided 50% interest in the Croinor Property and become operator of a joint venture.

If this option is exercised, the company's interest will be converted to a 5% non-contributing interest which is defined as 5% of the net cash flow from commercial production, after depletion and amortization.

SPOONER MINES AND OILS LIMITED

Notes to Financial Statements — June 30, 1983 (continued)

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, 1983, 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, 1983.

4. INCOME TAXES

(a) Loss carry-forward

At June 30, 1983, the company has a tax loss carry-forward of approximately \$22,000 available until 1988 to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts.

(b) Exploration and development expenditures

The company has costs of oil and gas interests and mining exploration expenditures available for tax purposes at June 30, 1983, of approximately \$1,065,000.

5. MANAGEMENT CONTRACT

Under an agreement dated December 1, 1981, with respect to an antimony property at Lake George, New Brunswick, the company provides overall operating management, at cost plus 2% of net profits from the operations (as defined therein), until December 31, 1991.

6. RELATED PARTY TRANSACTION

Professional Management Services (P.M.S.) is controlled by a director of the company. During the year P.M.S. provided administrative management and head office facilities for a cost of \$39,000 (1982 — \$39,000).

SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

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 **on Thursday, December 15, 1983 at the hour of 10:00 o'clock in the forenoon, local time, at the Engineers' Club, 105 Victoria Street, Toronto, Ontario**, 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.

Any shareholder giving a proxy may, in addition to in any other manner permitted by law, revoke the proxy by depositing an 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, at the head office of the Corporation or at Central Trust 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 the meeting on the day of the meeting or any adjournment thereof.

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 FOR 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 3, 1983 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 3, 1983.

<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)	1,685,368	18%

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 3, 1983.

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>
J.A. Francis Treasurer	Treasurer of various companies associated with the Harbinson Mining and Oil Group. Prior thereto Manager, Gardner, McDonald Chartered Accountants, Toronto	1982	1
*V.N. Harbinson Chairman of the Board and President	Mining and Oil Executive.	1956	1,685,368
J.N. Harbinson Executive Vice-President	President, John N. Harbinson Limited.	1978	1
*E.F. Merringer	Partner, Tilley, Carson & Findlay, 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.

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:	\$ 2,100	NIL	NIL
(b) From partially-owned subsidiaries:	NIL	NIL	NIL
Total:	\$ 2,100	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. The amount of \$39,000 was paid or payable by the Company pursuant to this arrangement during the fiscal year ended June 30, 1983.

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.

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 re-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 3, 1983. 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 Circular have been approved by the Board of Directors of the Company.


H.D. Harbinson
Secretary

Toronto, Canada
November 3, 1983.
