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CANADIAN
SPOONER
RESOURCES INC.

ANNUAL REPORT 1987

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OF MANAGEMENT
NOV 24 1987
UNIVERSITY



Corporate Information

Registered Office: Suite 916
111 Richmond Street West
Toronto, Ontario
M5H 2G4
Telephone: (416) 364-3182

Directors: J.A. Francis +
M.D. Granger
R.N. Granger, QC *+
W.H.W. Latta
J.F.K. McNutt *+
W.S. Vaughan
D.R. Walling *

* Member of Audit Committee
+ Member of Executive Committee

Officers: R.N. Granger, QC
CHAIRMAN OF THE BOARD, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

U. Abolins
VICE-PRESIDENT, EXPLORATION

J.A. Francis
VICE-PRESIDENT, FINANCE

M.L. Butler
TREASURER

W.S. Vaughan
SECRETARY

Transfer Agent: Central Trust Company
Toronto, Ontario and
Calgary, Alberta

Legal Counsel: Aird & Berlis
Toronto, Ontario

Auditors: Thorne Ernst & Whinney
Toronto, Ontario

Share Listings: The Toronto Stock Exchange
The Alberta Stock Exchange

Directors' Report

Your Directors are pleased to submit the sixty-first Annual Report for the fiscal year ended June 30, 1987. Enclosed as well is the Quarterly Report for the three months ended September 30, 1987.

CORPORATE

On October 30, 1987, Big Nuggets Construction Limited, a company indirectly controlled by members of my family including myself, agreed to acquire the 491,833 shares of your Company owned by Landmark Corporation. It is expected that this transaction will be completed prior to the time of the Annual Meeting.

MINING

During the summer, your Company initiated a transaction by which Dominion Explorers Inc., a mining company in the Landmark Group, optioned a highly prospective silver-lead-zinc property (presently containing 342 unpatented mining claims) approximately eight miles south of Faro in The Yukon Territory. This property hosts a number of vein like structures from which many surface samples have returned high assay results. Dominion Explorers plan to carry out extensive exploration work on this property as soon as weather permits. For our efforts in initiating this acquisition, Dominion Explorers granted your Company a 5% net profits interest in the property.

There is little new to report with respect to your Company's other mining interests other than to say that Dominion Explorers has proposed a significant bulk sample test on the Croinor Property (costs are estimated at \$2 million) and is waiting the response of its new joint venture partner, Cambior Inc., who have succeeded to the interest held by Sullivan Mines Inc. Your Company retains its 5% non-contributing interest in this property where reserve estimates have ranged from cut and dilute probable reserves of 425,470 tons grading 0.16 oz. of gold per ton to cut and dilute probable and possible reserves of 926,672 tons grading 0.175 oz. of gold per ton.

LAKE GEORGE ANTIMONY MINE

Given that Landmark Corporation is no longer the largest shareholder in your Company, it is felt that it would be appropriate to terminate the management agreement that Spooner has held for many years with respect to the Durham Mine. This matter is currently being discussed with Dominion Explorers and a resolution of it may have been reached and can be reported upon by the time of the Annual Meeting.

CANADIAN SPOONER RESOURCES INC.
(unaudited)
STATEMENT OF INCOME (LOSS)
For the Three Months ended September 30, 1987

	<u>1987</u>	<u>1986</u>
REVENUE		
Oil and gas revenue	\$ 50,656	\$ 36,325
Revenue from gold sales	-	21,396
Interest	<u>2,682</u>	<u>3,582</u>
	<u>53,338</u>	<u>61,303</u>
EXPENSES		
Oil and gas		
Royalties	5,112	7,571
Operating costs	21,940	14,320
Depreciation and depletion	<u>4,251</u>	<u>4,251</u>
	<u>31,303</u>	<u>26,142</u>
Mining		
Operating costs	-	8,000
Depreciation and depletion	-	18,700
	<u>-</u>	<u>26,700</u>
Administration	4,437	30,325
Exploration written off	<u>-</u>	<u>11,593</u>
Total expenses	<u>35,740</u>	<u>94,760</u>
NET INCOME (LOSS) FOR THE PERIOD	\$ <u>17,598</u>	\$ <u>(33,457)</u>
EARNINGS (LOSS) PER SHARE	\$ <u>.01</u>	\$ <u>(.01)</u>

(unaudited)
STATEMENT OF CASH FLOWS
For the Three Months ended September 30, 1987

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Net income (loss) for the period	\$ 17,598	\$ (33,457)
Add charges to operations not requiring a current cash payment		
Depreciation and depletion	5,326	24,401
Exploration written off	<u>-</u>	<u>8,088</u>
	22,924	(968)
Inventory (excluding depreciation of \$41,470 1986 - \$37,300)	(35,292)	(17,000)
Net change in non-cash working capital balances related to operations	<u>(2,932)</u>	<u>(38,884)</u>
Cash used in operating activities	<u>(15,300)</u>	<u>(56,852)</u>

CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES

Placer mining interest	(908)	39,667
Oil and gas interests	(113)	(2,121)
Exploration expenditures	(2,337)	(531)
Investments	<u>-</u>	<u>(27,109)</u>
Cash provided by (used in) investment activities	<u>(3,358)</u>	<u>9,906</u>

DECREASE IN CASH DURING THE PERIOD

CASH POSITION AT BEGINNING OF PERIOD

CASH POSITION AT END OF PERIOD

	(18,658)	(46,946)
	<u>154,497</u>	<u>239,442</u>
	\$ <u>135,839</u>	\$ <u>192,496</u>

PLACER VENTURE, YUKON TERRITORY

Placer mining operations were carried out again this season on Seymour Creek, approximately 45 miles west of Carmacks in the central Yukon, where your Company and its partner hold rights to about 7 miles of unworked gravels. Gold produced by the project aggregated approximately 357 oz. of which your Company netted about 152 oz. We are currently examining ways to expand and enhance our placer operations with a view to making them into a separate, viable business.

OIL AND GAS


During fiscal 1987, revenues from oil and gas production fell by over 40% from 1986 levels because of the world energy price collapse. We feel that real opportunities exist in the petroleum business and accordingly, we are currently in negotiations with a Calgary based company to acquire interests in certain oil production. This transaction, if completed, is expected to add about \$10,000 per month to your Company's oil and gas revenue.

OTHER

Mr. E.F. Merringer has recently resigned as a Director of the Company. The Board joins me in thanking him for all his valuable efforts on behalf of the Company over the past eleven years.

On behalf of the Board

November 11, 1987
Toronto, Ontario



R.N. Granger, QC
Chairman and President

CANADIAN SPOONER RESOURCES INC.
(Incorporated under the laws of Canada)

Balance Sheet as at June 30, 1987

ASSETS	<u>1987</u>	<u>1986</u>
CURRENT		
Cash and term deposits	\$ 154,497	\$ 239,442
Accounts receivable	22,025	22,683
Due from joint venturer (note 3)	<u>21,632</u>	<u>-</u>
	198,154	262,125
INVESTMENTS (quoted market value \$681,041; 1986 - \$487,100)	678,504	641,287
OIL AND GAS INTERESTS	136,612	146,667
DEFERRED EXPLORATION EXPENDITURES (note 2)	292,795	286,529
PLACER MINING INTEREST (note 3)	137,327	215,941
FIXED ASSETS	<u>17,245</u>	<u>23,076</u>
	<u>\$ 1,460,637</u>	<u>\$ 1,575,625</u>

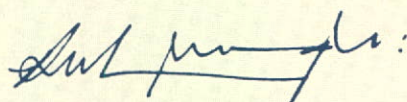
LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ <u>31,241</u>	\$ <u>38,654</u>

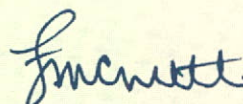
SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)		
Issued - 3,128,929 common shares	4,383,979	4,383,979
DEFICIT	<u>2,954,583</u>	<u>2,847,008</u>
	<u>1,429,396</u>	<u>1,536,971</u>
	<u>\$ 1,460,637</u>	<u>\$ 1,575,625</u>

Approved by the Directors:



R.N. Granger, Director



J.F.K. McNutt, Director

Statement of Income	Year ended June 30,	
	1987	1986
Revenue		
Oil and gas revenue	\$ 164,113	\$ 279,941
Revenue from gold sales	57,325	-
Interest	10,909	30,032
Gain on sale of investments	-	111,693
	<u>232,347</u>	<u>421,666</u>
Expenses		
Oil and gas		
Operating costs	44,420	74,926
Royalties	23,822	60,398
Depreciation and depletion	17,004	17,002
	<u>85,246</u>	<u>152,326</u>
Mining		
Operating costs	51,208	-
Depreciation and depletion	58,855	-
Deferred exploration written off	8,088	-
	<u>118,151</u>	<u>-</u>
Administration	<u>136,525</u>	<u>202,391</u>
Total expenses	<u>339,922</u>	<u>354,717</u>
NET INCOME (LOSS) FOR THE YEAR	\$ <u>(107,575)</u>	\$ <u>66,949</u>
EARNINGS (LOSS) PER SHARE	\$ <u>(.03)</u>	\$ <u>.02</u>

Statement of Deficit

DEFICIT AT BEGINNING OF YEAR	\$ 2,847,008	\$ 2,913,957
Net income (loss) for the year	<u>(107,575)</u>	<u>66,949</u>
DEFICIT AT END OF YEAR	\$ <u>2,954,583</u>	\$ <u>2,847,008</u>

CANADIAN SPOONER RESOURCES INC.

Year ended June 30,
1987 1986

Statement of Cash Flows

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Net income (loss) for the year	\$ (107,575)	\$ 66,949
Add charges to operations not requiring a current cash payment		
Depreciation and depletion	81,690	24,942
Gain on sale of investments	-	(111,693)
Deferred exploration costs written off	8,088	-
	<u>(17,797)</u>	<u>(19,802)</u>
Net change in non-cash working capital balances related to operations	<u>(6,755)</u>	<u>92,422</u>
Cash provided by (used in) operating activities	<u>(24,552)</u>	<u>72,620</u>

CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES

Investments	(37,217)	(201,163)
Proceeds from sale of investments	-	417,443
Oil and gas interests	(6,949)	(28,353)
Exploration and development expenditures	<u>(16,227)</u>	<u>(215,941)</u>
Cash (used in) investment activities	<u>(60,393)</u>	<u>(28,014)</u>

NET INCREASE (DECREASE) IN CASH DURING THE YEAR (84,945) 44,606

CASH POSITION AT BEGINNING OF YEAR 239,442 194,836

CASH POSITION AT END OF YEAR \$ 154,497 \$ 239,442

Auditors' Report

To the Shareholders of
 Canadian Spooner Resources Inc.

We have examined the balance sheet of Canadian Spooner Resources Inc. as at June 30, 1987 and the statements of income, deficit and cash flows 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, 1987 and the results of its operations and the changes in its cash flows 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 24, 1987

Thorne Ernst & Whinney
 Chartered Accountants

1. ACCOUNTING POLICIES

(a) Investments

Investments, substantially all of which are related companies, are recorded at cost. 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

Deferred exploration expenditures are capitalized in the accounts and are 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

The company uses the successful efforts method of accounting for oil and gas properties all of which are located in Canada. 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. Production equipment is depreciated on a declining balance basis at the annual rate of 10%.

Placer mining interest and fixed assets are recorded at cost less accumulated depreciation. Depreciation is calculated on a declining balance basis at annual rates of 30% and 20%.

Accumulated depletion and depreciation consists of:

	<u>1987</u>	<u>1986</u>
Placer mining interest	\$ 58,855	\$ -
Oil and gas interests	284,963	267,959
Fixed assets	79,989	74,158

2. DEFERRED EXPLORATION EXPENDITURES

The Company holds a 5% non-contributing interest in certain mining claims in Pershing Township, Quebec (the Croinor property), which is defined as 5% of the net cash flow from commercial production, after depletion and amortization.

Notes to Financial Statements - Year Ended June 30, 1987

3. PLACER MINING INTEREST

The Company holds a 50% working interest in a placer gold mining operation in the Yukon bearing a 15% royalty burden. Under the terms of the agreements, the Company paid for 100% of pre-production expenditures, 50% of which is recoupable out of 20% of the other working interest holder's profits. The operation started producing raw gold in July, 1986.

4. 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 1/5 in proportion.

(b) Options

Under an incentive stock option plan dated October 23, 1979, 133,333 shares were set aside for options to officers, directors and key employees. At June 30, 1987, no options have been granted on these shares.

Under a previous stock option plan dated November 22, 1977, there remains 9,333 shares unallocated at June 30, 1987.

5. INCOME TAXES

At June 30, 1987, the Company has unclaimed exploration and development expenditures and an excess of undepreciated capital cost over net book value of fixed assets of approximately \$794,000 available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts.

6. AGREEMENTS

(a) Pelly Ridge Property, Faro Area, Yukon

Subsequent to year end, the Company was granted a 5% net profits interest in the Pelly Ridge property as a finder's fee from Dominion Explorers Inc.

(b) Durham Mine, New Brunswick

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

7. RELATED PARTY TRANSACTION

Administration management and head office facilities were provided by Landmark Corporation (a related company) for \$60,000.

8. COMPARATIVE FIGURES

Certain 1986 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1987.

Management Information Circular

Solicitation of Proxies

This Management Information Circular (the "Circular") is furnished in connection with the solicitation by and on behalf of the management of CANADIAN SPOONER RESOURCES INC. (the "Company") of proxies to be used at the Annual and General Meeting (the "Meeting") of Shareholders of the Company to be held on Friday, December 11, 1987 at the hour of 11:00 o'clock in the forenoon, local time, at the Engineers' Club, 105 Victoria Street, Toronto, Ontario, M5C 2B3 for the purpose set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by employees and Directors of the Company at a nominal cost. The cost of any such solicitation by management will be borne by the Company.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are Directors and/or Officers of the Company. A shareholder desiring to appoint some other person to represent him at the Meeting may do so by inserting such person's name, who need not be a shareholder of the Company, in the blank space provided in the form of proxy and striking out the names of the three persons specified or by completing another proper form of proxy. In all cases, the completed proxy is to be delivered to the registered office of the Company or to Central Trust Company prior to the day of the Meeting or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

Any shareholder giving a proxy may, in addition to any other manner of revocation 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 Company or at Central Trust Company's office at 1 First Canadian Place, 38th Floor, Toronto, Ontario, M5X 2G4 prior to the day of the Meeting or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction, such shares will be voted FOR the election of Directors and FOR the appointment of auditors as stated under those headings in this Circular.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to any amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing this Circular, 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 and Principal Holders Thereof

On November 11, 1987, the Company had outstanding 3,128,929 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 voting rights attached to any class of outstanding voting securities of the Company entitled to vote at the Meeting, as of November 11, 1987:

<u>Name and Address</u>	<u>Number of Shares Beneficially Owned, Controlled or Directed</u>	<u>Percentage of Issued Shares</u>
Big Nuggets Construction Limited R.R. No. 1 Hillier, Ontario K0K 2J0	491,833	15.7%

Remuneration of Directors and Officers

During the year ended June 30, 1987, Directors of the Company received \$3,700 for serving as Directors, being at a rate of \$400 for each meeting of the Board of Directors or a Committee thereof attended. The three executive officers of the Company received the aggregate sum of \$1,600 which amount is included in the \$3,700 referred to above. Apart from meeting attendance fees paid to the Directors, no other form of compensation was paid or is payable to the Directors and/or executive officers of the Company.

Election of Directors

All the persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below and are now members of the Board of Directors since the dates indicated. Management does not contemplate that any of the nominees will be unable to serve as a Director but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each Director elected will hold office until the next annual meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company.

The following table sets forth 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, their principal occupation or employment for the past five years, the year in which they became 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 11, 1987. The Company is required to have an Audit Committee, the proposed members of which are indicated by an asterisk.

Management Information Circular

<u>Name and Office Held</u>	<u>Principal Occupation</u>	<u>Became a Director</u>	<u>Shares (1)</u>
J.A. Francis+ Vice-President, Finance	Vice-President, Finance of Landmark Corporation and associated companies.	1982	1
M.D. Granger	Married woman and President, Big Nuggets Construction Limited	1987	491,833 (2)
R.N. Granger, QC *+ Chairman, President & Chief Executive Officer	Barrister and Solicitor, Partner, Aird & Berlis	1985	491,833 (2)
W.H.W. Latta	Stockbroker with McDermid St. Lawrence Limited	1985	Nil
J.F.K. McNutt*+	President of William Milne & Sons Limited, Lumber Operators	1985	Nil
W.S. Vaughan Secretary	Barrister and Solicitor, Partner, Aird & Berlis	1985	Nil
D.R. Walling*	President and Chief Executive Officer of D.R. Walling Co. Limited, Wholesale and Industrial Electronic Suppliers	1986	Nil

* Present member of Audit Committee / + Present member of Executive Committee

- (1) The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective nominees individually.
- (2) Big Nuggets Construction Limited agreed on October 30, 1987 to acquire 491,833 shares of the Company from Landmark Corporation. This acquisition is scheduled to close after the date of this information circular and before the date of the Annual Meeting. Big Nuggets Construction Limited is indirectly controlled by Robert N. Granger and his wife, M. Diana Granger.

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

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Thorne Ernst & Whinney, Chartered Accountants, Toronto, Ontario as auditors of the Company to hold office until the next Annual Meeting of Shareholders and to authorize the Directors to fix their remuneration.

Interest of Management and Others in Material Transactions

Administrative, management and head office facilities were provided to the Company under an arrangement with Landmark Corporation. During the financial year ended June 30, 1987, there has been paid or is payable in aggregate by the Company to the aforementioned entity the sum of \$60,000. On October 30, 1987, Landmark Corporation agreed to sell the 491,833 shares of the Company owned by it to Big Nuggets Construction Limited.

Stock Option Plans

The Company's stock option plans provide for the granting, from time to time, at the discretion of the Board of Directors, to officers and directors and employees of the Company, the option to purchase common shares at a discount from market as permitted by regulatory authorities. The plans also provide that the term of the option may not exceed five years. There are currently a total of 142,666 shares reserved under the two plans none of which have been granted.

Proposed Stock Option Plan

Shareholders will be asked at the Meeting to approve a new Incentive Stock Option Plan (the "Plan") for officers, directors and key employees of the Company. The Plan provides for up to an aggregate of 10% of the issued and outstanding shares of the Company to be made available under the terms of the Plan, for the granting of specific options to officers, directors and key employees exercisable at a price which is not less than that from time to time permitted by the applicable rules, regulations and policies of all applicable stock exchanges. Individual options granted under the plan may, at the discretion of the Directors, be granted up to a maximum term of ten years, be exercisable in equal yearly proportions during the term and be cumulative. The individual option grants are subject to the approval of all applicable stock exchanges and other regulatory authorities.

General

Information contained herein is given as of November 11, 1987. 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 of the sending of this Management Information Circular have been approved by the Board of Directors.

On behalf of the Board



W.S. Vaughan
Secretary

Toronto, Ontario
November 11, 1987

