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SPOONER

MINES AND OILS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED
JUNE 30, 1984



The Harbinson Mining and Oil Group

SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

(unaudited)

STATEMENT OF INCOME

For the Three Months ended September 30, 1984

	1984	1983
Revenue		
Profit from oil and gas operations	\$ 43,157	\$ 42,761
Investment income	10,253	6,946
	53,410	49,707
Administrative expenditures written off	34,051	25,436
NET INCOME FOR THE PERIOD	\$ 19,359	\$ 24,271
EARNINGS PER SHARE	\$ 0.002	\$ 0.003

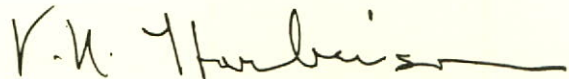
(unaudited)

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Three Months ended September 30, 1984

	1984	1983
WORKING CAPITAL DERIVED FROM		
Net income for the period	\$ 19,359	\$ 24,271
Add item not involving working capital		
Depreciation	2,700	2,000
	22,059	26,271
WORKING CAPITAL APPLIED TO		
Long term advance		13,000
Oil and gas interests	16,507	474
Fixed assets	749	
	17,256	13,474
INCREASE IN WORKING CAPITAL	4,803	12,797
WORKING CAPITAL AT BEGINNING OF YEAR	431,893	463,605
WORKING CAPITAL AT SEPTEMBER 30	\$ 436,696	\$ 476,402

Approved by the Directors:



V.N. HARBINSON, Director



E.F. MERRINGER, Director

Toronto, Canada
October 23, 1984

SPOONER MINES AND OILS LIMITED

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

Directors: U. Abolins
J.A. Francis
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

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, 1984. Also enclosed is the Quarterly Report for the three months ended September 30, 1984.

Oil and Gas

Doddsland Area, Saskatchewan

Spooner Mines and Oils Limited has a .56906% interest in the Central Gleneath oil producing unit which is operated by Erskine Resources Limited. The Company participated in 15 infill wells in the unit in the past year which have increased unit oil production by 300 barrels of oil per day. A further infill drilling programme of 17 wells is planned for the latter part of 1984. The previous infill programmes have paid out within a few months.

In the Gleneath South sector of the same field the operator has proposed unitizing and waterflooding of this area in order to increase recovery. The Company's interests in this area range from 6.25% to 17.5%.

In the Cook Lake area the gas well in which Spooner has a 5% interest is expected to be placed on stream in the fourth quarter of 1984. Spooner has also participated as to a 5% interest in a successful development well for oil production with United Canso in the Eureka area.

Turner Valley, Alberta

The Company holds a 2.0445% interest in Unit No. 4 and a 0.715% interest in Unit No. 7. Both are producing satisfactorily after remedial work which was completed in the past year. A new gas plant in which Spooner is participating as to approximately 0.2% is now under construction at a cost of \$26.7 million and is expected to be in operation in May 1985. This new plant of which Western Decalta Petroleum Limited is the Operator is expected to improve recoveries and enhance the profitability of the project.

Mining

Lake George Antimony Mine, New Brunswick

The Company has a management contract with Durham Resources Inc. relating to the Lake George Antimony Mine near Fredericton, New Brunswick. This contract is cost plus 2% of net profits from operations. The Company received no income from this operation during the past year due to the Mine closure in 1980, when the original orebody was exhausted.

On May 2, 1984, Durham Resources Inc. made the decision to re-open the Lake George Mine in order to develop the Number 2 Orebody discovered in 1981. This decision was based on the steady increase of the price of antimony over the past 18-month period. The new orebody contains approximately 850,000 tons grading 4.15% antimony and lies between the 700 and 1,400 foot elevation of the existing Mine. The Number 2 Orebody will be developed by deepening the existing shaft to the 1,400 foot level and driving four headings 2,500 feet into the new orebody. This development programme is estimated to cost approximately \$4,000,000 with mine and mill start-up projected for August 1985. At today's antimony prices, using conservative production estimates and costs, the Mine could generate an operating profit from concentrate production of \$800,000 to \$850,000 a month.

Other

The Company continues to hold a 5% non-assessable net carried interest in the Croinor Gold Deposit near Val d'Or, Quebec.

On Behalf of the Board,





V.N. Harbinson
Chairman

Toronto, Canada
October 30, 1984

SPOONER MINES AND OILS LIMITED

(Incorporated under the laws of Canada)

Balance Sheet

	ASSETS	June 30,	
		1984	1983
CURRENT			
Cash and term deposits		\$ 383,509	\$ 451,600
Accounts receivable		75,791	32,497
		459,300	484,097
INVESTMENTS (quoted market value \$1,514,383; 1983 — \$1,009,925)		566,124	399,874
NON-CURRENT ACCOUNTS RECEIVABLE			82,000
OIL AND GAS INTERESTS		90,643	71,966
MINING CLAIMS AND DEFERRED EXPENDITURES (note 2)		286,529	286,529
FIXED ASSETS		41,123	33,117
		<u>\$1,443,719</u>	<u>\$1,357,583</u>
	LIABILITY		
CURRENT			
Accounts payable and accrued liabilities		\$ 27,407	\$ 20,492
	SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 3)			
Issued — 9,386,788 common shares		4,383,979	4,383,979
DEFICIT		2,967,667	3,046,888
		1,416,312	1,337,091
		<u>\$1,443,719</u>	<u>\$1,357,583</u>
Approved by the Directors:			
			
V.N. HARBINSON, Director		E.F. MERRINGER, Director	

AUDITORS' REPORT

To the Shareholders of
Spooners Mines and Oils Limited

We have examined the balance sheet of Spooners Mines and Oils Limited as at June 30, 1984 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, 1984 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 23, 1984

THORNE RIDDELL
Chartered Accountants

SPOONER MINES AND OILS LIMITED

Statement of Income

	Year ended June 30,	
	1984	1983
Revenue		
Net revenue on oil and gas operations (gross revenue \$312,913; 1983 — \$217,018)	\$ 176,863	\$ 111,153
Gain on sale of investments		231,032
Gain on sale of fixed assets	467	
Interest	71,969	29,066
	249,299	371,251
Administrative and exploration expenditures written off	170,078	189,840
NET INCOME FOR THE YEAR	\$ 79,221	\$ 181,411
EARNINGS PER SHARE	\$ 0.01	\$ 0.02

Statement of Deficit

DEFICIT AT BEGINNING OF YEAR	\$3,046,888	\$3,228,299
Net income for the year	79,221	181,411
DEFICIT AT END OF YEAR	\$2,967,667	\$3,046,888

Statement of Changes in Financial Position

WORKING CAPITAL DERIVED FROM		
Net income for the year	\$ 79,221	\$ 181,411
Items not involving working capital		
Depletion	4,612	2,651
Depreciation	20,313	14,743
Gain on sale of investments		(231,032)
Gain on sale of fixed assets	(467)	
Mining claims and deferred expenditures written off		79,000
	103,679	46,773
Proceeds on sale of fixed assets	13,200	
Proceeds on sale of investments		436,105
Decrease in non-current accounts receivable	82,000	
	198,879	482,878
WORKING CAPITAL APPLIED TO		
Oil and gas interests	28,889	40,750
Increase in non-current accounts receivable		30,500
Fixed assets	35,452	
Investments	166,250	15,966
	230,591	87,216
INCREASE (DECREASE) IN WORKING CAPITAL	(31,712)	395,662
WORKING CAPITAL AT BEGINNING OF YEAR	463,605	67,943
WORKING CAPITAL AT END OF YEAR	\$ 431,893	\$ 463,605

SPOONER MINES AND OILS LIMITED

Notes to Financial Statements — June 30, 1984

1. ACCOUNTING POLICIES

(a) Investments

Investments, substantially all of which are in related companies, 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

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.

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:

	1984	1983
Oil and gas interests	\$234,657	\$224,445
Fixed assets	55,362	53,901

2. MINING CLAIMS AND DEFERRED EXPENDITURES

During the year, the Sullivan Mines Inc. exercised an option to acquire an undivided 50% interest in certain mining claims in Pershing Township, Quebec (the Croinor property) by expending a minimum of \$1,600,000 on exploration and development. The Sullivan Mines Inc. became the operator of a joint venture to continue development.

The company retains a 5% non-contributing interest in the Croinor property, 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, 1984 (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, 1984, 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, 1984.

4. INCOME TAXES

At June 30, 1984, the company has a tax loss carry-forward of approximately \$22,000 available until 1987 to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts. In addition, the company has costs of oil and gas interests and mining exploration expenditures available for tax purposes at June 30, 1984 of approximately \$900,000.

5. MANAGEMENT CONTRACT

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.

6. RELATED PARTY TRANSACTIONS

(a) 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 \$64,600 (1983 — \$39,000).

(b) During the year the company acquired 840,000 common shares of a related company, Tex-Sol Explorations Limited (Tex-Sol), for \$126,000.

(c) During the year, the company's advances to Tex-Sol were repaid and interest previously unaccrued was fixed. Included in accounts receivable and interest revenue is \$36,962. The receivable is due on demand and bears interest at a bank prime rate.

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 Friday, December 14, 1984 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 October 30, 1984 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 October 30, 1984.

<i>Name and Address</i>	<i>Number of Shares Beneficially Owned</i>	<i>Percentage of Issued Shares</i>
DURHAM RESOURCES INC. 916-111 Richmond St. W. Toronto, Ontario M5H 2G4	1,475,500	16%

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 October 30, 1984.

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

<i>Name and Position with the Company</i>	<i>Principal Occupation</i>	<i>Director Since</i>	<i>Number of Shares</i>
U. Abolins	Geological Engineer with the Harbinson Mining & Oil Group since 1984; prior thereto, Vice-President, Exploration of NAREX Ore Search Consultants Inc. and Chief Geologist-Canada with Patino Mines Quebec Ltd.	1984	nil
*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	684,368
*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:	\$1,800	NIL	NIL
(b) From partially-owned subsidiaries:	NIL	NIL	NIL
Total:	\$1,800	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 \$64,600 was paid or payable by the Company pursuant to this arrangement during the fiscal year ended June 30, 1984.

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 October 30, 1984. 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
H.D. Harbinson
Secretary

Toronto, Canada
October 30, 1984.
