

1981

ANNUAL REPORT



EXECUTIVE OFFICE
1115 SHERBROOKE STREET WEST
MONTREAL, P.Q. H3A 1H5

TELEPHONE: 514-842-5831
TELEX: 05-24316

LETTER TO THE SHAREHOLDERS

November 1st, 1982

On January 21, 1982 the Superior Court of the District of Montreal, upon application made by a shareholder of Javelin International Limited ("Javelin") under Section 234 of the Canada Business Corporations Act, appointed me, Michel Robert, as interim receiver-manager of Javelin until the Court could examine the merits of the shareholder's application. The January 21 Court order granted me limited powers and did not suspend the powers of Javelin's board of directors.

On April 7, 1982, the said Court appointed me receiver-manager for Javelin for a term of two years, subject to reduction or extension of this period upon application of interested persons. A copy of the judgment of the Court is included for your information.

As you will note in this judgment, the Court granted me the power to engage Charette, Fortier, Hawey and Co., Touche Ross and Co., chartered accountants, to assist in carrying out my functions as receiver-manager, as well as such legal counsel as I may require for such purpose. On April 8, 1982, I engaged such accountants to assist me in carrying out the Court order.

In accordance with this judgment, since April 7, 1982, all amounts payable to Javelin have been paid directly to me without deduction, except for a 20% tax payable to the Government of Newfoundland under that province's Mining and Mineral Tax Act, 1975. All amounts payable to Javelin are being deposited in a trust account with The Royal Bank of Canada under the name "Michel Robert in trust (Javelin International Limited)." I am the only person authorized to deposit or disburse any funds in or from this account.

The Court order further required the suspension of performance of all contracts between Javelin or any subsidiaries or affiliates controlled by Javelin and John C. Doyle and any companies controlled by him, and of any payments by Javelin to or for the benefit of Mr. Doyle or any company controlled by him.

I have, in accordance with the judgment, suspended payments by Javelin to the Banque Nationale de Paris for the reimbursement of a loan to Javelin's subsidiary, Pavonia S.A., a Panama corporation and guaranteed by Javelin. I have also suspended payments by Javelin to Pavonia S.A. and Javelin Export Ltd, a Bahamas corporation, pursuant to a "consultancy contract" between Javelin Export Ltd. and Mr. Doyle.

I have also suspended payments by Javelin to Pole Investment Inc., a Panama corporation, to which Javelin, in 1980, issued debentures in the principal amount of \$500,000 as well as warrants to purchase 300,000 of Javelin's common shares. Such payments are suspended pending confirmation that Javelin received adequate consideration for issuance of the warrants and of the debentures, which are convertible into 300,000 of Javelin's shares, and a determination as to who owns and controls Pole.

The order also requires the receiver-manager not to pay or perform, on Javelin's behalf, putative liabilities and obligations to third parties which, in the receiver-manager's opinion, have not been bona fide and incurred in the ordinary course of business. Consequently, Javelin has paid debts only after I have determined that such debts were incurred bona fide and in the ordinary course of business.

.../3

To date, I have been unable to obtain access to and control of the operations, assets, books and records of Javelin's subsidiary, Pavonia S.A., a Panama corporation which has its principal office in Panama City, Republic of Panama. Consequently, I have not to date been able to present the consolidated financial statements for the quarter ended June 30, 1982.

My understanding is that Pavonia S.A. holds the outstanding capital stock of several subsidiaries, including Minas San Cristobal S.A., which operated a gold and silver mining facility in El Salvador, Ovens of France (Fours de France) Limited, which operated a bakery in Miami, Florida, and several other subsidiaries which own various mineral interests. In addition, Pavonia held 8% direct obligation bonds issued by the Republic of Panama, which as of December 31, 1981 had an unpaid balance of US\$15,697,170.

Since the April 7, 1982 Court order, Pavonia has not reimbursed Javelin for any advances made by Javelin to Pavonia prior to April 7, 1982, nor otherwise made any distribution to Javelin. Javelin has not made any advances to Pavonia since April 7, 1982. As of March 31, 1982, Javelin's investment in Pavonia's capital stock was approximately CDN\$24,000,000 and Javelin's total net advances to Pavonia were approximately CDN\$5,000,000. As of March 31, 1982, Javelin's investment in and net advances to Pavonia together represented approximately 45% of Javelin's total assets.

Javelin has received claims from persons purporting to act on Pavonia's behalf and alleging that Javelin owes Pavonia approximately US\$1,700,000 and that Pavonia had incurred losses totalling approximately US\$10,250,000 due to Javelin's failure to pay certain alleged commitments. The claimants also alleged that because of Javelin's failure to pay certain commitments, Pavonia would have incurred losses of approximately US\$20,000,000 resulting from the abandoning or writing off of Pavonia's interests in mineral properties, and from the loss of future bond income and business opportunities. Javelin believes that these claims are without merit.

Javelin is seeking to obtain access to and control of Pavonia's operations, assets, books and records. Javelin has no definite knowledge as to who are Pavonia's directors and officers. If Javelin is unable to obtain such access and control, this will have a materially adverse effect on Javelin's financial position.

The April 7, 1982 order also requires that the disbursements and fees of the receiver-manager be paid out of Javelin's income and property in such amounts as may be approved by the Court, upon submission by the receiver-manager for approval. Pursuant to that order, I have submitted for approval on a monthly basis detailed accounts including disbursements.

The order further requires its provisional execution notwithstanding appeal. As a matter of fact, the order was appealed by Raymond Gallagher, a Javelin shareholder and an intervenant in the proceedings which gave rise to my nomination as receiver-manager, but the Quebec Court of Appeal dismissed the appeal on June 9, 1982.

On March 27, 1982, Javelin's board of directors approved Javelin's consolidated financial statements for the year ended December 31, 1981. A copy of these financial statements is enclosed. The receiver-manager expresses no opinion as to the accuracy of these financial statements.

Since my appointment as receiver-manager, I have taken significant steps, in accordance with the provisions of the order, to reduce Javelin's administrative expenses and to control the outflow of Javelin's funds. I was appointed receiver-manager to control and carry on Javelin's affairs, to receive its income, to pay its just debts and to protect its assets for the benefit of all the shareholders. You may rest assured that achieving the objectives of the Court order will receive my fullest attention during my administration.

Truly yours,

A handwritten signature in dark ink, appearing to read "Michel Robert", with a stylized flourish at the end.

Michel Robert

Receiver-Manager
Javelin International Limited

JAVELIN INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1981

ROSTON, REINHARZ, BRATT, FREMETH

COMPTABLES AGRÉÉS / CHARTERED ACCOUNTANTS

JOSEPH D. ROSTON, C.A.
BERNARD H. REINHARZ, C.A.
STEPHEN BRATT, C.A.
LEONARD L. FREMETH, C.A.
WILLIAM J. STAR, C.A.

AUDITORS' REPORT

To the Shareholders of
Javelin International Limited

We have examined the consolidated balance sheets of JAVELIN INTERNATIONAL LIMITED AND SUBSIDIARIES as at December 31, 1981 and 1980, the consolidated statements of operations, deficit, and changes in financial position for each of the three years in the period ended December 31, 1981, and the supporting schedules. Our examinations were made in accordance with generally accepted auditing standards in Canada and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. For 1980 and 1979, we did not examine the financial statements of certain subsidiaries, whose assets and revenues (exclusive of the investment in and revenue from the Panamanian Bonds) constitute 20% and 33% for 1980, 18% and 23% for 1979 respectively, of the consolidated totals. These statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed for 1980 and 1979, insofar as it relates to the amounts included for those subsidiaries, is based upon the reports of other auditors.

In our opinion, the financial statements present fairly the consolidated financial position of JAVELIN INTERNATIONAL LIMITED AND SUBSIDIARIES as at December 31, 1981 and 1980, the results of its consolidated operations and the changes in its consolidated financial position for each of the three years in the period ended December 31, 1981, and the supporting schedules present fairly the information required to be submitted under the regulations of the Securities and Exchange Commission, all in conformity with accounting principles generally accepted in Canada (which differ from accounting principles generally accepted in the United States as set forth in Note 15 to the financial statements) applied on a consistent basis during the period.

Montréal, Canada
March 26, 1982

Roston Reinharz Bratt Fremeth
CHARTERED ACCOUNTANTS

COMMENTS BY AUDITORS FOR UNITED STATES READERS ON CANADA - UNITED STATES REPORTING CONFLICT

In the United States, reporting standards for auditors require expression of a qualified opinion when financial statements are affected by significant uncertainties, such as those described in Notes 1(a)(i), 7(a), 11, 14(a), 14(f), 17 and 22 to the consolidated financial statements. The opinion in our report to shareholders dated March 26, 1982, is not qualified with respect to, and provides no reference to these uncertainties. Such a qualified opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

Montréal, Canada
March 26, 1982

Roston Reinharz Bratt Fremeth
CHARTERED ACCOUNTANTS

JAVELIN INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 1981, 1980 and 1979

(In Canadian Dollars)

<u>DEFICIT - DECEMBER 31, 1978</u>	\$(2,843,317)
<u>NET INCOME FOR 1979</u>	<u>13,838</u>
<u>DEFICIT - DECEMBER 31, 1979</u>	(2,829,479)
<u>NET INCOME FOR 1980</u>	<u>1,486,606</u>
<u>DEFICIT - DECEMBER 31, 1980</u>	(1,342,873)
<u>NET INCOME FOR 1981</u>	<u>14,765</u>
<u>DEFICIT - DECEMBER 31, 1981</u>	<u>\$ (1,328,108)</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

JAVELIN INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1981 and 1980

	<u>1981</u>	<u>1980</u>
	(In Canadian Dollars)	
<u>A S S E T S</u>		
<u>CURRENT</u>		
Cash	\$ 132,962	\$ 167,419
Accounts, Royalties and Other Receivable (Notes 3 and 16(b))	3,795,446	4,098,036
Mining Supplies - At Cost	587,070	424,456
Deposits and Prepaid Expenses	348,720	97,783
Current Portion of Bonds, Republic of Panama	<u>753,047</u>	<u>704,873</u>
	<u>5,617,245</u>	<u>5,492,567</u>
<u>LONG-TERM</u>		
Receivable Under Javelin-Wabush Iron Contract (Note 3)	16,563,944	17,915,617
Less: Unamortized Valuation Discount	<u>(11,355,068)</u>	<u>(12,644,667)</u>
	5,208,876	5,270,950
Balance Due re Sale of Linerboard Project Net of Allowance (Note 4)	3,079,334	3,079,334
Investment in Julianne Lake Property Net of Allowance (Note 5)	750,000	750,000
Bonds, Republic of Panama, Less Current Portion (Note 6)	17,862,227	18,753,409
Deposits re Federal Income Tax Assessments (Note 11)	<u>3,852,607</u>	<u>2,863,444</u>
	<u>30,753,044</u>	<u>30,717,137</u>
<u>INVESTMENT AND ADVANCES</u>		
Non-Consolidated Subsidiaries (Note 7)	3,202,830	3,205,675
Associated Companies (Note 8)	<u>3,051,266</u>	<u>3,115,975</u>
	<u>6,254,096</u>	<u>6,321,650</u>
<u>FIXED</u>		
Property, Plant and Equipment - Net (Note 9)	<u>1,332,556</u>	<u>1,234,067</u>
<u>MINERAL RIGHTS, LEASES, PERMITS AND CONCESSIONS</u> <u>INCLUDING EXPLORATION AND DEVELOPMENT COSTS</u> (Notes 1(d) and 22)	<u>15,842,077</u>	<u>15,314,522</u>
<u>DEFERRED COSTS</u> (Note 1(d))	<u>210,187</u>	<u>193,283</u>
	<u>\$60,009,205</u>	<u>\$59,273,226</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

1981 1980
(In Canadian Dollars)

L I A B I L I T I E S

CURRENT

Bank Overdraft	\$ 546,221	\$ 153,211
Accounts Payable (Note 14(d))	10,228,049	8,678,525
Payable to Shareholder (Including Current Portion of Long-Term Payable) (Notes 6 and 21(b))	500,000	607,248
Current Portion of Long-Term Debt	1,728,539	1,632,756
Estimated Income Taxes Payable (Notes 11 and 17)	1,100,000	650,000
	<u>14,102,809</u>	<u>11,721,740</u>

LONG-TERM

Loans Payable (Note 10(a))	3,457,078	4,898,270
Less: Current Portion	1,728,539	1,632,756
	<u>1,728,539</u>	<u>3,265,514</u>
Payable to Shareholder (Notes 6 and 21(b))	2,819,500	2,981,168
Less: Current Portion	500,000	500,000
	<u>2,319,500</u>	<u>2,481,168</u>

Convertible Debentures (Net of Unamortized Discount of \$26,250. (\$41,250 - 1980)) (Note 10(b))	473,750	458,750
---	---------	---------

<u>DEFERRED</u> - Advance Royalty	19,650	18,850
-----------------------------------	--------	--------

<u>MINORITY INTEREST</u>	55,278	32,290
--------------------------	--------	--------

CONTINGENT LIABILITIES, COMMITMENTS AND OTHER MATTERS (Notes 11, 12, 14, 19, 20, and 21)

S H A R E H O L D E R S ' E Q U I T Y

CAPITAL STOCK (Note 13)

AUTHORIZED -

Class "A" Preferred: Unlimited Number of No Par Value
Shares

Common: Unlimited Number of No Par Value
Shares

ISSUED AND FULLY PAID -

Common: 7,169,648 Shares	42,592,787	42,592,787
--------------------------	------------	------------

<u>CONTRIBUTED SURPLUS</u> (Note 10(b))	45,000	45,000
---	--------	--------

<u>DEFICIT</u>	(1,328,108)	(1,342,873)
----------------	-------------	-------------

<u>41,309,679</u>	<u>41,294,914</u>
-------------------	-------------------

<u>\$60,009,205</u>	<u>\$59,273,226</u>
---------------------	---------------------

SUBMITTED WITH OUR REPORT DATED
MARCH 26, 1982

ON BEHALF OF THE BOARD OF DIRECTORS

CHARTERED ACCOUNTANTS.

Boston Bureau Brett Fennell

Signature

Signature

JAVELIN INTERNATIONAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1981, 1980 and 1979

	<u>1981</u>	<u>1980</u>	<u>1979</u>
	(In Canadian Dollars)		
<u>REVENUE</u>			
Gross Royalties Earned on Iron Ore (Note 16)	\$10,255,210	\$ 8,267,644	\$ 8,625,799
Sales of Bullion	2,900,967	5,375,442	3,399,472
Interest and Other	1,601,186	1,598,837	1,651,802
Javelin-Wabush Iron Contract (Note 3)	1,289,599	1,047,608	1,103,287
Bakery Revenue	136,521	-	-
	<u>16,183,483</u>	<u>16,289,531</u>	<u>14,780,360</u>
<u>COST AND EXPENSES</u>			
Direct Cost of Royalties Earned -			
Amortization (Note 1(d))	600,597	600,597	600,597
Provincial Royalties and Taxes	3,489,082	2,745,496	2,680,632
Royalties - Knoll Lake Minerals Limited (Note 16)	<u>1,397,377</u>	<u>1,280,448</u>	<u>1,446,309</u>
	5,487,056	4,626,541	4,727,538
Cost of Sales - Bullion	2,840,878	3,374,409	2,208,626
Cost of Sales - Other	125,971	-	-
Administrative and General	4,671,227	4,726,399	5,413,544
Interest and Discount on Long-Term Debt	1,605,424	1,387,912	1,481,619
Interest - Other	78,087	71,054	128,402
Depreciation	174,645	120,742	125,948
Exploration Costs Written Off	-	19,802	241,540
Investments and Advances Written Off	<u>-</u>	<u>-</u>	<u>52,963</u>
	<u>14,983,288</u>	<u>14,326,859</u>	<u>14,380,180</u>
<u>OPERATING PROFIT</u>	<u>1,200,195</u>	<u>1,962,672</u>	<u>400,180</u>
<u>OTHER</u>			
Equity in Affiliate's Loss	(1,024)	(116,515)	-
Gain (Loss) on Foreign Currency Conversion	<u>(84,406)</u>	<u>290,449</u>	<u>(152,261)</u>
<u>INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM</u>	<u>1,114,765</u>	<u>2,136,606</u>	<u>247,919</u>
<u>ESTIMATED PROVISION FOR INCOME TAXES</u> (Note 17)	<u>1,100,000</u>	<u>650,000</u>	<u>500,000</u>
<u>INCOME (LOSS) BEFORE EXTRAORDINARY ITEM</u>	<u>14,765</u>	<u>1,486,606</u>	<u>(252,081)</u>
<u>EXTRAORDINARY ITEM</u> (Note 18)	<u>-</u>	<u>-</u>	<u>265,919</u>
<u>NET INCOME FOR THE YEAR</u> (Note 15(a))	<u>\$ 14,765</u>	<u>\$ 1,486,606</u>	<u>\$ 13,838</u>
<u>EARNINGS (LOSS) PER SHARE</u> (Notes 1(e) and 15(a))			
Income (Loss) per Share Before Extraordinary Item	\$ 0.002	\$ 0.207	\$ (0.035)
Extraordinary Item	<u>-</u>	<u>-</u>	<u>0.037</u>
Net Income for the Year	<u>\$ 0.002</u>	<u>\$ 0.207</u>	<u>\$ 0.002</u>

JAVELIN INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 1981, 1980 and 1979

	<u>1981</u>	<u>1980</u>	<u>1979</u>
	(In Canadian Dollars)		
<u>SOURCES OF WORKING CAPITAL</u>			
<u>Funds from Operations</u>			
Income (Loss) Before Extraordinary Item	\$ 14,765	\$ 1,486,606	\$ (252,081)
Charges (Credits) Not Affecting Working Capital:			
Depreciation and Amortization	917,115	829,953	855,613
Exploration Costs Written Off	-	19,802	241,540
Interest Due to Shareholder, Not Currently Payable	602,053	497,895	508,091
Foreign Exchange Loss (Gain) on Non-Current Items	123,718	(346,345)	218,351
Equity in Affiliate's Loss	1,026	116,515	-
Other	<u>23,174</u>	<u>3,137</u>	<u>63,313</u>
<u>Total Provided From Operations, Excluding Extraordinary Item</u>	<u>1,681,851</u>	<u>2,607,563</u>	<u>1,634,827</u>
Extraordinary Item	-	-	265,919
Less: Not Affecting Working Capital	<u>-</u>	<u>-</u>	<u>(265,919)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Provided From Operations,</u>	<u>1,681,851</u>	<u>2,607,563</u>	<u>1,634,827</u>
Issue of Convertible Debentures & Warrants	-	500,000	-
Redemption of Bonds, Republic of Panama	761,556	690,360	632,016
Increase in Long-Term Debt	299,825	585,000	-
Reduction in Receivable Under Javelin-Wabush Iron Contract	62,074	40,172	34,620
Disposal of Property, Plant and Equipment	-	-	324,282
Other	<u>5,295</u>	<u>-</u>	<u>77,277</u>
	<u>2,810,601</u>	<u>4,423,095</u>	<u>2,703,022</u>
<u>USES OF WORKING CAPITAL</u>			
Deposits re Federal Income Tax Assessments	989,163	1,010,000	392,364
Acquisition of Fixed Assets	289,028	526,515	147,455
Increase in Mineral Rights and Exploration Costs	1,082,171	1,019,057	717,332
Reduction in Long-Term Payable to Shareholder	763,721	1,008,806	527,931
Reduction of Long-Term Debt	1,829,840	1,603,227	1,497,911
Deferred Costs	53,996	193,283	-
Other	<u>59,073</u>	<u>79,052</u>	<u>25,146</u>
	<u>5,066,992</u>	<u>5,439,940</u>	<u>3,308,139</u>
<u>INCREASE IN WORKING CAPITAL DEFICIENCY</u>	<u>(2,256,391)</u>	<u>(1,016,845)</u>	<u>(605,117)</u>
<u>WORKING CAPITAL DEFICIENCY - BEGINNING OF YEAR</u>	<u>(6,229,173)</u>	<u>(5,212,328)</u>	<u>(4,607,211)</u>
<u>WORKING CAPITAL DEFICIENCY - END OF YEAR</u>	<u>\$(8,485,564)</u>	<u>\$(6,229,173)</u>	<u>\$(5,212,328)</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

JAVELIN INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 1981, 1980 and 1979

	<u>1981</u>	<u>1980</u>	<u>1979</u>
	(In Canadian Dollars)		
<u>CHANGES IN COMPONENTS OF WORKING CAPITAL</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ (34,457)	\$ 67,132	\$ (463,365)
Accounts, Royalties and Other Receivable	(302,590)	(630,841)	11,441,145
Mining Supplies	162,614	122,862	(143,550)
Deposits and Prepaid Expenses	250,937	33,587	24,919
Current Portion of Bonds, Republic of Panama	<u>48,174</u>	<u>74,099</u>	<u>37,774</u>
<u>INCREASE (DECREASE) IN CURRENT ASSETS</u>	<u>124,678</u>	<u>(333,161)</u>	<u>896,923</u>
<u>CURRENT LIABILITIES</u>			
Bank Overdraft	(393,010)	139,314	(275,166)
Accounts Payable	(1,549,524)	(745,324)	(813,726)
Bank Loan	-	-	118,600
Current Portion of Long-Term Debt	(95,763)	(231,036)	178,862
Estimated Income Taxes Payable	(450,000)	(150,000)	200,000
Payable to Shareholder	<u>107,248</u>	<u>303,362</u>	<u>(910,610)</u>
<u>(INCREASE) DECREASE IN CURRENT LIABILITIES</u>	<u>(2,381,069)</u>	<u>(683,684)</u>	<u>(1,502,040)</u>
<u>INCREASE IN WORKING CAPITAL DEFICIENCY</u>	<u>\$ (2,256,391)</u>	<u>\$ (1,016,845)</u>	<u>\$ (605,117)</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

JAVELIN INTERNATIONAL LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1981

Unless the context otherwise requires, "Javelin" means Javelin International Limited (formerly Canadian Javelin Limited) and "Company" means Javelin and all its Subsidiaries. "Subsidiary" means a corporation of which more than 50% of the outstanding voting stock is directly or indirectly owned by Javelin.

All amounts stated herein are in Canadian dollars unless otherwise indicated.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) (i) Basis of Presentation

The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly they do not give effect to adjustments that might be necessitated should, as a result of the matters disclosed in Notes 14(a) and 14(f), the Company be impaired in its ability to continue to operate as a going concern, and in whole or in part be required to realize its assets and liquidate its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

(ii) Principles of Consolidation

The consolidated financial statements include the accounts of Javelin and all of its subsidiaries, except for Bison Petroleum & Minerals Limited (a 61% owned subsidiary) for reasons explained in Note 14(e). The investment in shares of Bison Petroleum & Minerals Limited is carried on the cost basis adjusted by the Company's share of losses since acquisition to December 31, 1976 amounting to \$496,353 and impairment in value subsequent to December 31, 1976 in the amount of \$406,030 (See Note 7).

Intercompany accounts, transactions and profits have been eliminated in consolidation.

(b) Foreign Currency Translation

The method of accounting for foreign currency translation is that inventories stated at cost, property, plant and equipment, and mineral rights, leases, permits and concessions including exploration and development costs are translated at historical rates; receivables and payables are translated at current rates. Exchange gains and losses are given immediate recognition in the statement of operations. The foreign exchange conversion rates of U.S. dollars were as at January 1, 1979 \$1.186; December 31, 1979 \$1.168; December 31, 1980 \$1.195; and December 31, 1981 \$1.1859.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is calculated primarily on the straight line method.

(d)

Amortization(i) Mineral Rights, Leases, Permits and Concessions Including Exploration and Development Costs

The costs of mineral rights, leases, permits and concessions including exploration and development costs are being deferred until such time as the properties are placed in production, sold or abandoned. If placed in production, costs will be amortized by charges to income over the estimated useful life of the property.

Unamortized expenses on mineral leases of the Wabush project of \$5,305,853 (\$5,906,450 in 1980) are being amortized on the straight line basis over 25 years.

Unamortized exploration and development expenses of Minas San Cristobal, S.A., a subsidiary, of \$533,292 will be amortized over a period of five years commencing 1982. Exploration and development expenses of \$37,272 were amortized in 1981. Deferred mine expenses of Minas San Cristobal, S.A. are being amortized over a two year period. The balance of \$7,340 (\$15,443 in 1980) will be amortized in 1982.

(ii) Deferred Costs

Deferred costs (\$210,167 at December 31, 1981, \$193,283 at December 31, 1980) of Ovens of France (Fours de France) Ltd. are being amortized on a straight line basis over a five year period.

(e)

Earnings per Share

Earnings per share are calculated using the weighted average of common shares outstanding. Outstanding warrants, convertible debentures and options have no dilutive effect on earnings per share.

(f)

Reconciliation to United States Accounting Principles

The Company, in the preparation of its financial statements, conforms to generally accepted accounting principles prevailing in Canada.

For transactions for which the application of these principles differs significantly from generally accepted accounting principles in the United States, reconciliations are presented (See Note 15).

NOTE 2RECLASSIFICATIONS

Certain amounts for 1980 and 1979 have been reclassified to conform with the presentation of similar amounts in the 1981 financial statements.

NOTE 3 JAVELIN-WABUSH IRON CONTRACT

The balance results from the sale to Wabush Iron Co. Limited of 10% of the capital stock of Wabush Lake Railway Company Limited and 10% of the capital stock of Wabush Iron Co. Limited on January 30, 1959 and is payable as iron ore is shipped from the Wabush leased premises at the rate of \$0.28017 per ton at December 31, 1981, (\$0.24573 at December 31, 1980), but not less than \$0.10 per ton shipped, nor less than \$275,000 per year. If the Wabush lease is cancelled by Wabush Iron Co. Limited, as it may do on 60 days' notice, no further payments thereon need be made, but the Mining Lease must be surrendered to Javelin, and if Wabush Iron Co. Limited defaults in making the required payment of any instalment, when due, and which default shall not be cured within 60 days of notice of default, it must also surrender to Javelin the title to, and possession of, all its buildings, plant and machinery on the leased premises.

On December 31, 1977, Javelin recognized the profit on the sale of capital stock, calculated on the remaining minimum payments receivable discounted at 5% over 76.25 years. Previously profit was recognized as collected. The net profit adjustment of \$5,366,746 (\$0.75 per share) was included in income for 1977.

The unamortized valuation discount is taken into income as payments under the Javelin-Wabush Iron Contract are received and for 1981 amount to \$1,289,599 (\$1,047,608 in 1980, \$1,103,287 in 1979) and is included in accounts, royalties and other receivable.

On June 5, 1978, Javelin assigned all payments under this contract to its wholly-owned subsidiary, Pavonia, S.A., to the extent necessary to secure the repayment of financing not in excess of \$5,000,000 (U.S.), plus interest thereon (See Notes 11 and 21).

NOTE 4 LINERBOARD PROJECT

The Company is claiming the sum of \$3,779,334 in addition to the \$6,600,000 already received under an agreement with the Province of Newfoundland whereby the Province acquired the linerboard mill project at Stephenville, and associated wood harvesting operation in Goose Bay.

The Province has denied the Company's claims. An arbitration of the Company's claims is in process and is expected to be completed in 1982.

The amount in dispute has been treated as a non-current asset. No provision has been made for any interest which might be awarded on the unpaid amount.

In the opinion of management and Company counsel, the claim is meritorious, but as there is no assurance that the Company will recover the full amount, it has accordingly provided an allowance for possible uncollectability of the account in the estimated amount of \$700,000.

NOTE 5JULIENNE LAKE PROPERTY

In 1960, the Company leased the Julianne Lake iron ore deposit in Labrador for a period of 99 years. In 1975, Newfoundland passed an Act to provide for the reversion of the deposit to the Province for a maximum compensation of \$750,000. The Company's investment in the Julianne Lake property is \$3,549,271.

In 1978, the Company filed actions in the Supreme Court of Newfoundland seeking a declaration that the Reversion Act and The Mining and Mineral Rights Tax Act (See Note 20) are invalid, seeking performance by the Province of its obligations regarding the Julianne Lake Deposit, to enjoin the Province from using confidential information furnished by the Company and from mining the iron ore in the deposit, reimbursement of all sums paid under The Mining and Mineral Rights Tax Act, and claiming damages for breach by the Province of its obligations. The actions are in the preliminary stage, and the amount of any recovery cannot be predicted.

Due to the uncertainty of the Company realizing its investment of \$3,549,271 in the Julianne Lake property, an allowance of \$2,799,271 was provided for in 1976, for the difference between the investment in the project and the maximum amount of consideration provided for in the Reversion Act.

During 1981, Javelin and the Newfoundland government began preliminary discussions regarding the economic feasibility and possible development of the Julianne deposit by Javelin.

NOTE 6BONDS, REPUBLIC OF PANAMA

Under a 1975 agreement, the Republic of Panama acquired the Company's Cerro Colorado mineral rights and related assets for \$23,600,000 (U.S.). Of this amount, \$5,000,000 (U.S.) was paid in cash in 1975 and the balance of \$18,600,000 (U.S.) was paid by Panama's issuance of twenty-year, 8% direct obligation bonds (tax free in Panama), receivable in quarterly payments of varying amounts of principal and interest, no one of which is less than \$465,000 (U.S.) and no one of which is more than \$471,000 (U.S.) per quarter year in liquidation and payment of both principal and interest in full.

The bank loan (See Note 10(a)), the convertible debentures issued in 1980 (See Note 10(b)), and the amount payable to a shareholder (See Note 21(b)) have been secured by pledges of the bonds.

NOTE 7INVESTMENT AND ADVANCES IN NON-CONSOLIDATED SUBSIDIARIES

	<u>1981</u>	<u>1980</u>
Bison Petroleum & Minerals Limited - at cost (See Notes 1(a)(ii) & 14(e))	\$3,125,637	\$3,128,682
Other	<u>76,993</u>	<u>76,993</u>
	<u>\$3,202,630</u>	<u>\$3,205,675</u>

NOTE 8 INVESTMENT AND ADVANCES IN ASSOCIATED COMPANIES

	<u>1981</u>	<u>1980</u>
Dominion Jubilee Corporation Limited (including advances of \$398,256 by Javelin at December 31, 1981 less advances of \$78,704 by Dominion Jubilee Corporation Limited to Jubilee Quebec Holdings Limited at December 31, 1981 (See Note 14(e)(8)), and advances of \$398,302 by Javelin to Dominion Jubilee Corporation Limited at December 31, 1980 (See Note 14(e)) - carried at cost	\$2,341,062	\$2,407,812
Norlex Mines Limited (including advances of \$624,705 and \$607,419 at December 31, 1981 and 1980, respectively - carried on equity basis (a))	705,940	689,680
Others	<u>4,264</u>	<u>18,483</u>
	<u>\$3,051,266</u>	<u>\$3,115,975</u>

(a) Norlex Mines Limited's operations are in the exploratory stage and its principal assets consist of exploratory rights and of accumulated exploration expenses related thereto. Of the 6,073,163 shares of Norlex Mines outstanding, 1,097,419 shares (18%) are held by the Company. Realization of the Company's investment (including advances), is dependant upon Norlex's successful development of income producing operations, the likelihood of which cannot be determined at the present time. In 1980, the Company recognized \$116,515 as its equity in the loss of Norlex Mines Limited.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	<u>1981</u>	<u>1980</u>
Buildings and leasehold improvements	\$ 308,074	\$ 224,840
Machinery, equipment and rolling stock	1,097,070	834,038
Office, engineering and production equipment	<u>820,181</u>	<u>782,095</u>
	2,225,325	1,840,973
Less: Accumulated depreciation and amortization	<u>(976,255)</u>	<u>(792,248)</u>
	1,249,070	1,048,725
Construction in progress	<u>83,486</u>	<u>185,342</u>
	<u>\$1,332,556</u>	<u>\$1,234,067</u>

NOTE 10 LONG-TERM DEBT

<u>(a)</u>	<u>Loan Payable</u>	<u>1981</u>	<u>1980</u>
	Banque Nationale de Paris (Panama)	\$3,457,078	\$4,898,270
	Less: Current Portion	<u>1,728,539</u>	<u>1,632,756</u>
		<u>\$1,728,539</u>	<u>\$3,265,514</u>

The loan bears interest at 3% over the Euro-Dollar Rate (16.5% plus 3% at December 31, 1981) (London Inter Bank Offer Rate 14 1/16% plus 3% at December 31, 1980) and is collateralized by an assignment of royalties from Wabush Mines (See Note 16) and by a portion of the bonds, Republic of Panama (See Note 6). Repayment to be made in instalments of \$464,394 (U.S.) in January and October each year (plus accrued interest to date of payment), \$114,394 (U.S.) in April each year (plus accrued interest to date of payment) and \$414,394 (U.S.) in July each year (plus accrued interest to date of payment). The last payment is due October 1983.

The Loan Payable matures as follows:

1982.....	\$1,728,539
1983.....	\$1,728,539

(b) Convertible Debentures

On September 24, 1980, Javelin issued debentures, in the aggregate principal amount of \$500,000, which bear interest at the London Inter Bank Offer Rate plus three percentage points per annum, adjusted semi-annually. Interest is payable semi-annually. At December 31, 1981, the interest rate on the debentures was 20 11/16%. The principal amount is payable in full on September 24, 1983. The debentures are convertible, prior to September 25, 1983, into a maximum of 300,000 common shares of Javelin at \$1.48 per share if conversion is made prior to September 25, 1982, and thereafter at \$1.73 per share if conversion is made prior to September 25, 1983. In connection with the debentures, Javelin issued non-transferable warrants to purchase up to 300,000 additional common shares of Javelin at \$1.75 per share if exercised prior to September 25, 1982, and thereafter at \$2.00 per share if exercised prior to September 25, 1983. All unexercised warrants will expire on September 24, 1983.

Of the \$500,000 received, \$455,000 was allocated to the debentures and \$45,000 to the warrants. The \$45,000 discount on the issuance of the \$500,000 debentures is being amortized on an annual basis over the term of the debentures. The amount attributable to warrants is reflected as contributed surplus.

A portion of the Government of Panama bonds held by the Company (See Note 6) is pledged as security for the debentures.

- (a) Revenue Canada has issued reassessments for Javelin's taxation years 1970 through 1974, but no tax was levied for 1970 through 1973 since deductions attributable to preproduction exploration expenses offset the inclusion of additional items of income for those years. Revenue Canada claims that Javelin's pool of preproduction exploration expenses has been exhausted and has disallowed \$1,870,850 for such expenses for 1974. For the five years in question, Revenue Canada included approximately \$5,200,000 of additional income of which \$2,900,000 is attributable to payments received by Javelin under the Javelin-Wabush Iron Contract (See Note 3). These payments had been treated by Javelin as non-taxable capital receipts. Additional items of income amounting to \$2,300,000 were attributable primarily to the disallowance of depletion claimed, and disallowance of royalties paid to the Newfoundland Government.

The tax assessed was \$1,212,743, plus interest of \$198,586 to November 21, 1977. In the event its objection, that payments under the Javelin-Wabush Iron Contract are non-taxable, is upheld, Javelin would have sufficient preproduction exploration deductions to offset the additional assessed income.

In 1978, Javelin deposited \$1,461,080 with a trust company to be invested in an interest bearing time deposit as security for the 1974 tax assessment pending final resolution thereof. The interest realized on this deposit is remitted by the trust company to Revenue Canada to apply on Javelin's account and is not reflected in the financial statements pending outcome of the assessment.

In 1979, Javelin was assessed an additional \$233,612 for 1974 based primarily on a disallowance of a \$525,956 depletion deduction.

Javelin is contesting the 1974 assessments in the Federal Court of Canada.

- (b) In 1982, Revenue Canada reassessed Javelin for income taxes \$2,822,180 (\$486,603 for 1975; \$750,371 for 1976; \$512,613 for 1977; and \$1,072,593 for 1979) reducing the previously assessed income taxes by \$1,049,339, (which reduction results in a pro-rata decrease in interest assessed).

In 1980, Revenue Canada assessed Javelin \$119,877 for withholding taxes (including penalties and interest), based on the disallowance of certain deductions claimed by Javelin in 1976, 1977 and 1979 totalling \$354,348. The disallowed deduction represents amounts charged to Javelin by its subsidiaries for expenses paid on behalf of the Company by Mr. J.C. Doyle, and were virtually entirely included in the initial balance payable to Mr. Doyle under a 1979 agreement (See Note 21(b)(i)).

In 1981, Revenue Canada assessed Javelin \$1,669,899, including interest for 1980, primarily for income taxes disallowing Javelin's claimed loss for the year of \$832,349.

In 1981, the province of Quebec assessed Javelin \$1,006,721 for unpaid taxes and interest (including \$43,272 tax on capital) for 1975 through 1979 and \$22,413 for 1980 tax on capital including interest. Provision has been made for this tax on capital plus

interest thereon. Javelin is contesting the other Provincial and Federal tax assessments and also maintains that it has available additional preproduction exploration expenses that could reduce Javelin's assessed taxable income.

- (c) Javelin has provided an amount of \$1,850,000 in respect of any liability that may result from the assessments described in Notes 11(a) and 11(b). Javelin has provided \$1,100,000 in respect of estimated potential income tax liability for 1981 (See Note 17(a)).

The total Federal assessment as reassessed through 1980, including interest thereon to February 1982, amount to \$7,306,100. After giving effect to amounts received by Revenue Canada under its agreements with Javelin regarding payments, the net amount of assessments including interest unpaid as of February 1982 was \$1,582,286. In addition, the amount of \$1,461,080 remains on deposit (See Note 11(a)) which if released to Revenue Canada would reduce the unpaid balance by \$1,461,080.

The amounts paid to Revenue Canada and the amount on deposit with the trust company less the amount provided for 1974 to 1980 of \$1,850,000 are carried as assets in the financial statements. The Company considers that the amounts it has provided for income taxes are adequate, however, the amount of potential taxes, if any, for the years 1974 through 1980 cannot be determined at the present time.

- (d) In 1981, Revenue Canada assessed Julco Iron Corporation Limited (Julco), a subsidiary, \$102,077 (including interest) for 1977 income taxes in respect to the expropriation of the Julienne Lake deposit (See Note 5). Julco is contesting this assessment and no provision has been made in the financial statements.

- (e) In 1979, Javelin reached agreement with Revenue Canada under which Revenue Canada will be secured for payment of the income tax assessments for the years 1975 to 1977, the \$233,612 additional assessment for 1974 (See Note 11(a) and 11(b)) as well as taxes which are assessed from year to year until all such taxes are paid. The agreement provided that Javelin would deposit \$150,000 in March of 1979 and in addition for the fiscal years beginning January 26, 1979 would deposit with Revenue Canada the greater of: (A) \$1,300,000 in the first year, \$1,600,000 in the next three years and \$1,900,000 in the subsequent years or (B) \$500,000 in the first five years and \$1,000,000 in each succeeding year thereafter, plus an amount equal to its income tax required to be filed and fully paid during that year. Payments on the agreement are current.

The agreement provides that the first \$500,000 payable in the first five years and \$1,000,000 in each succeeding year, is to be applied to taxes for the years then already assessed (1975, 1976 and 1977). The balance in any year is then applied to the tax assessed for the previous calendar year and any remaining balance applied to prior unpaid assessments.

NOTE 11 (Cont'd)

The payment by Javelin under the agreement is secured by assignment of Javelin's rights under the Wabush Mine royalties (See Note 16) and secondly by payments under the Javelin-Wabush Iron Contract (See Note 3), as Pavonia, S.A. has waived the priority of its assignment under the Javelin-Wabush Iron Contract to the extent of \$500,000 per year.

NOTE 12 COMMITMENTS

- (a) Under a 1975 consulting contract with Mr. John C. Doyle, guaranteed by Javelin and Pavonia, S.A., Javelin Export Limited, a subsidiary, is obligated to pay \$209,000 (U.S.) per year to Mr. Doyle, through to March 1985.
- (b) Javelin has entered into individual retirement agreements with certain retired employees. Charges against operations are made in the year of payment. Benefits under these agreements range from a fixed period to life. The payments (\$85,989 for 1981; \$81,369 for 1980 and \$74,036 for 1979) under these agreements per annum aggregate \$12,000 (Cdn.) plus \$61,828 (U.S.) subject to cost of living adjustments in respect of one individual. Per actuarial valuation at December 31, 1981, the present value of the retirement benefits amounts to \$589,408 (See Note 15 for reconciliation with generally accepted accounting principles in the United States).

NOTE 13 CAPITAL STOCK

(a) Stock Options

Under Javelin's 1970 Stock Option Plan, 180,353 shares of the authorized capital stock were reserved for key personnel, officers and directors.

The plan expired on June 10, 1980, but options granted prior to expiration are exercisable for a period of five years after the date of grant.

Information as to the outstanding options at December 31, 1981 and 1980 is shown below.

OPTIONS OUTSTANDING AT DECEMBER 31, 1981

<u>Expiry Date</u>	<u>NUMBER OF SHARES</u>				<u>Exercise Price Per Share</u>
	<u>Options Outstanding & Exercisable at December 31, 1980</u>	<u>Options Expired During the Year</u>	<u>Options Cancelled During the Year</u>	<u>Options Outstanding & Exercisable at December 31, 1981</u>	
May 1981	2,122	2,122	-	-	-
May 1982	9,549	-	1,061	8,488	\$1.49
Aug. 1983	9,549	-	1,061	8,488	1.15
Aug. 1984	9,549	-	1,061	8,488	1.40
Mar. 1985	117,756	-	23,870	93,886	1.55
	<u>148,525</u>	<u>2,122</u>	<u>27,053</u>	<u>119,350</u>	

No options were exercised in 1981, 1980 or 1979.

(b) Convertible Debentures and Warrants (See Note 10(b)).

NOTE 14 LITIGATION

(a) Section 234 - Receiver-Manager

In January 1982, upon application of Inversiones Montforte, S.A. a shareholder in Javelin, the Quebec Superior Court pursuant to Section 234 of the Canada Business Corporations Act appointed Michel Robert, a Montreal lawyer as Receiver-Manager of Javelin on an interim basis until the case can be determined on its merits. The Receiver-Manager has been granted power to receive all amounts payable to Javelin after deduction of amounts assigned under agreements with Revenue Canada, Wabush Mines, Wabush Iron Co. Limited, and Banque Nationale de Paris. Such amounts are to be made available to Javelin in the ordinary course of business. The Directors of the Company continue to act as and exercise the power of directors subject to the overview of the Receiver-Manager including supervision of litigation; but if the Receiver-Manager is of the view that an action should not be effective until after he seeks direction of the Court, the action is subject to review by the Court prior to becoming effective.

Upon application of Inversiones Montforte to make the appointment of Receiver-Manager for an 18 month term, expand his powers, and appoint the Receiver-Manager as an Inspector to investigate the affairs of the Company, Mr. Frederick Sparling, the Inspector appointed under the former Canada Corporations Act (See Note 14(f)) and Frank A. Potter, a shareholder and a defendant in the action brought by Javelin against Mr. Wismer and others (See Note 14(e) (1) and (2)), have intervened seeking the dismissal of the action and the Receiver-Manager. Mr. Potter, has applied to the Court, in the alternative, for the issuance of an order appointing a Receiver-Manager selected by Mr. Wismer, and for the relief sought by Mr. Wismer in an action brought by him under Section 234 in the Ontario Supreme Court. Another shareholder has intervened to support the application of Inversiones Montforte. On March 26, 1982 Inversiones Montforte amended its application to seek a court order that the Receiver-Manager be given full power with respect to the Company's business affairs to the exclusion of the Board of Directors. Hearings have been conducted on the applications.

In the action in the Ontario Supreme Court, Mr. Wismer in addition to appointment of a Receiver-Manager, among other relief, seeks orders that Javelin purchase the shares of Mr. John C. Doyle and cancelling the agreements with Mr. Doyle by Javelin and its subsidiaries (See Notes 12(a) and 21). After appointment of Mr. Robert, Mr. Wismer amended his application to seek liquidation of the Company. The Ontario Court has reserved decision pending determination of the action in Montreal.

(b) Lurie, et al v. Javelin International Limited, et al

An action was filed in 1973, in the State Court in Illinois, on behalf of certain purchasers of Javelin's shares alleging violations of the Securities Act of 1933. In 1977, the court approved a settlement under which class members would receive settlement payments based on an agreed formula. In 1979, Javelin paid settlement sums totalling \$3,069 (U.S.) to claimants and claim trustees' fees of approximately \$24,000 (U.S.). Still pending is Javelin's appeal from the court's award of \$100,000 (U.S.) as plaintiffs' counsel fees and the plaintiffs' motion seeking relief from the court's action (i) vacating its earlier order expanding the class of the plaintiffs in a manner which could increase the amount of the settlement sum by approximately \$305,000 (U.S.) for damages and (ii) denying request for \$115,000 (U.S.) as additional plaintiffs' counsel fees and discharging the claims trustee. Provision has been made in the financial statements for the \$100,000 (U.S.) awarded as counsel fees.

Also pending is an action filed in the Federal Court in Illinois on behalf of certain purchasers of Javelin's common shares, alleging violations of the United States' securities laws. The settlement stipulation in the Lurie state action provides that upon approval of that settlement stipulation, plaintiffs will discontinue this action. The Federal Court stayed further proceedings in the case.

(c) Bilan Realty Corporation, et al v. Javelin International Limited, et al

In 1976, this action in the Federal Court in New York was brought by 29 purchasers of Javelin's shares, naming Javelin and Messrs. Doyle and Wismer as defendants. The plaintiffs allege a scheme to inflate the price of Javelin's common shares. Javelin has denied the allegations of the complaint. Although the action has been pending for more than six years, only a slight development of the plaintiffs' case has taken place. Javelin counsel is of the opinion that there is no merit to the claim.

(d) Government of Newfoundland v. Javelin International Limited

In 1979, Newfoundland sued Javelin for additional royalties, with respect to the shipments of iron ore concentrates, of \$256,663 for 1976, \$992,153 for 1977 and \$728,971 for 1978, plus interest and costs. Provision has been made in the financial statements

for these amounts. In the opinion of counsel the Company's defenses are meritorious but it is not possible to predict the outcome of the action. The Government of Newfoundland has made demands for additional royalties of \$1,413,910 for 1979, \$1,420,220 for 1980, and \$1,948,034 for 1981 for which provision has also been made in the financial statements.

(e) Bison Petroleum & Minerals Limited and Dominion Jubilee Corporation Limited

- (1) Pursuant to a judgement of the Supreme Court of Ontario, a court ordered special general meeting of shareholders of Bison Petroleum & Minerals Limited ("Bison") was convened and held on March 16, 1977, for the purpose of removing directors of Bison and electing a new Board of Directors to fill the vacancies thereby created. At the time of the Court order, the Company was the beneficial owner of 2,587,287 of the 4,223,713 outstanding shares of Bison. The Company was also the beneficial owner of 1,786,585 of the 5,382,536 outstanding shares of Dominion Jubilee Corporation Limited ("Dominion Jubilee").

Pursuant to an agreement dated February 22, 1977, Bison agreed to purchase from Dominion Jubilee all of the outstanding shares of Jubilee Quebec Holdings Limited, in consideration for the issuance by Bison of 3,276,287 shares of the capital stock of Bison, being all the remaining authorized and unissued shares of Bison.

Concurrently with the aforesaid transaction, Bison entered into a second agreement with Dominion Jubilee whereunder Bison agreed to pay \$40,000 to Dominion Jubilee and to assume the indebtedness of Dominion Jubilee to Javelin in the amount of \$372,171 in exchange for the issuance by Dominion Jubilee to Bison of 2,100,000 shares of the capital stock of Dominion Jubilee.

The aforesaid transactions, if upheld by the courts, may result in the removal of control from the Company of Bison and Dominion Jubilee and the placing of the control of Bison and Dominion Jubilee in the hands of Dominion Jubilee and Bison, respectively. The Boards of Bison and Dominion Jubilee are controlled by the same persons, none of whom are significant shareholders in either Bison, Dominion Jubilee or Javelin.

Subsequent legal proceedings have been commenced by Javelin in the Supreme Court of Ontario seeking to cancel the transactions hereinabove referred to and for damages (See Note 14(e)(2)). Subsequent to the judgement of the Supreme Court of Ontario ordering a Bison meeting, Bison instituted legal proceedings in the Supreme Court of Ontario seeking to cancel 1,440,000 shares of the capital stock of Bison issued in 1966 to Javelin under a contract. An ex parte injunction obtained by Bison on March 4, 1977, to prevent the voting of these shares at the March 16, 1977 Bison shareholders' meeting was not continued by the court after the hearing and the shares were voted without objection at the shareholders' meeting. It is the opinion of Javelin's counsel that Bison will not be successful in this action.

- (2) In December 1977, Javelin commenced an action in the Supreme Court of Ontario against Bison, Dominion Jubilee, William Wismer, and other directors and former directors of Bison and Dominion Jubilee, William B. Magyar and Technical Economists Limited, seeking a court declaration that the agreements of February 22, 1977 between Bison and Dominion Jubilee (See Note 14(e)(1)) and the issuance of shares pursuant to these agreements were null and void, injunctions restraining the voting, sale, or other disposition of the shares and seeking compensatory and punitive damages aggregating \$11,000,000 against all the defendants except Bison and Dominion Jubilee.
- (3) In 1977, Javelin sued Bison for \$827,070 representing Bison's share of the litigation costs and settlements paid by Javelin in respect to certain class actions brought against Javelin in 1973. Bison is defending the action.
- (4) In August 1977, Bison commenced an action in the Supreme Court of Ontario against Javelin and certain of its Canadian directors and officers, alleging that the individual defendants conspired to bring vexatious proceedings against Bison and that Javelin wrongfully interfered with an alleged contract between Bison and Pavonia, S.A., and seeking damages totalling \$679,902 and an injunction restraining the defendants from bringing further proceedings in Ontario, Quebec or the State of New York. The action is being contested.
- (5) The Court has ordered the actions described in Notes 14 (e)(2), (3), and (4) to be tried consecutively. The cases are now on the trial list.
- (6) In August 1977, Javelin commenced actions, in the Supreme Court of Ontario, against Bison and Dominion Jubilee seeking to enjoin the annual meeting of shareholders of Bison scheduled for August 29, 1977, and the annual meeting of Dominion Jubilee, scheduled for August 30, 1977. The actions were based upon Javelin's allegations that Bison's and Dominion Jubilee's financial statements, auditor's reports, and information circular were false and misleading.

The court ordered the meetings to be adjourned indefinitely. The court has suspended the holding of the meetings pending a hearing on Javelin's request for an injunction.
- (7) In March 1982, an action by Javelin seeking an order that a special general meeting of shareholders of Dominion Jubilee Corporation Limited be called for the purpose of electing the directors of the Company and that a Chairman be named by the court to preside over the meeting was heard in the Quebec Supreme Court. The court has reserved the judgement.

- (8) In April 1981, Javelin acquired 50,000 common shares and in May 1981, 15,000 common shares of Jubilee Quebec Holdings Limited, approximately 67.7% of Jubilee Quebec's outstanding shares, for \$65,000. Javelin also agreed in May 1981 to purchase an additional 35,000 common shares of Jubilee Quebec. Jubilee Quebec is the owner of 23 mining claims in the O'Keefe Lake area, and 29 mining claims in the Star Lake area, both areas being in Quebec. In June 1981, Bison and Dominion Jubilee brought an action against Javelin, Jubilee Quebec and the Directors of Jubilee Quebec to enjoin any transfer of the Star-O'Keefe deposits, enjoin any action not in the ordinary course of business of Jubilee Quebec without the plaintiffs' approval, enjoin the voting and transferring of the shares acquired by Javelin, to reinstate Mr. Wismer as a director of Jubilee Quebec, to cancel the 50,000 common shares issued to Javelin in April 1981, and other relief. An interim order sought by plaintiffs was denied.

(f)

Inquiry Under Canada Corporations Act

In 1977, the Restrictive Trade Practices Commission of Canada, upon an ex parte application, ordered an inquiry into virtually all the affairs of Javelin since its incorporation, and appointed a civil servant as Inspector to conduct the inquiry. Javelin is contesting in the courts the authenticity and scope of the inquiry and the conduct of the civil servant and his representatives in the course of the inquiry.

In January 1982, counsel to the Inspector filed an alleged statement of evidence alleging that Javelin has been defrauded in certain instances by Mr. John C. Doyle and others and recommending that a special act of Parliament be passed to wind up Javelin, that the contracts with Mr. Doyle (See Notes 12(a) and 21) be cancelled, that no further amounts be paid to Mr. Doyle and that the costs of the inquiry be assessed against Javelin. Two major allegations involve matters which were subject of arbitrations by order of the Superior Court of Quebec. In both arbitrations, the arbitrator found that the Company failed to prove the allegations and dismissed the actions against the defendants, including Mr. Doyle. Both dismissals were homologated as final judgements of the Superior Court of Quebec in 1978. Another significant allegation involved a matter which was a subject of an action brought in 1977 by the United States Securities and Exchange Commission against the Company, Mr. Doyle, and certain of the Company's directors. The action was settled in 1979 by the issuance of an injunction by the United States District Court, to which, without admitting or denying the SEC's allegations, the Company consented, which enjoins the Company from filing untimely reports with the SEC. The SEC's complaint was dismissed as to Mr. Doyle and the Company's directors and officers. Another significant allegation was that 49,000 common shares of the Company were fraudulently issued in 1971 to a corporation allegedly related to a then government official. However, such common shares were in 1972 returned to the Company and cancelled, with no payment of money by the Company. While the other allegations involve matters which have not been the subject of litigation, such matters have been previously disclosed in the Company's reports to shareholders and to regulatory agencies.

NOTE 14 (Cont'd)

A hearing of the purported report before the Restrictive Trade Practices Commission has been scheduled for April 26, 1982. The Company intends to contest the report before the Commission and in the Court.

NOTE 15 DIFFERENCES IN APPLICATION OF UNITED STATES AND CANADIAN GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES

	<u>1981</u>	<u>1980</u>	<u>1979</u>
	(In Canadian Dollars)		
(a) <u>Net Income (Loss)</u>			
<u>Reconciliation</u>			
Income (Loss) before extraordinary item per statement of operations -- as determined in accordance with Canadian Generally Accepted Accounting Principles (G.A.A.P.)	\$ 14,765	\$1,486,606	\$ (252,081)
Add (Deduct):			
Gain on sale of land and buildings treated as extraordinary item under Canadian G.A.A.P. (See Note 18)	-	-	265,919
Adjustment in respect of deferred liability under individual retirement agreements (See Note 12(b))	<u>(6,715)</u>	<u>(27,472)</u>	<u>(36,201)</u>
Income (Loss) before extraordinary item as determined in accordance with United States G.A.A.P.	<u>8,050</u>	<u>1,459,134</u>	<u>(22,363)</u>
Net Income (Loss) as determined in accordance with United States G.A.A.P.	<u>\$ 8,050</u>	<u>\$1,459,134</u>	<u>\$ (22,363)</u>
<u>Income (Loss) per share</u> <u>(per United States</u> <u>G.A.A.P.)</u>			
Income (Loss) before extraordinary item	\$ 0.001	\$ 0.204	\$ (0.003)
Extraordinary item	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ 0.001</u>	<u>\$ 0.204</u>	<u>\$ (0.003)</u>

(b)

Reconciliation of Deficit

Deficit per statement of deficit as at December 31, 1978 in accordance with Canadian G.A.A.P. -- as restated	\$ (2,843,317)
Less: Increase in parent company's interest in its subsidiary arising from issuance of capital stock by the subsidiary in 1973 (See Note 15(c))	(419,350)
Liability under individual retirement agreement entered into before December 31, 1978 recorded under United States G.A.A.P. (See Note 15(d))	<u>(519,021)</u>
Deficit -- December 31, 1978, in accordance with United States G.A.A.P.	(3,781,688)
Net loss for 1979 in accordance with United States G.A.A.P. (See Note 15(a))	<u>(22,363)</u>
Deficit -- December 31, 1979 in accordance with United States G.A.A.P.	(3,804,051)
Net income for 1980 in accordance with United States G.A.A.P. (See Note 15(a))	<u>1,459,134</u>
Deficit -- December 31, 1980, in accordance with United States G.A.A.P.	\$ (2,344,917)
Net income for 1981 in accordance with United States G.A.A.P. (See Note 15(a))	<u>8,050</u>
Deficit -- December 31, 1981 in accordance with United States G.A.A.P.	<u>\$ (2,336,867)</u>

(c)

In 1973, a subsidiary of Javelin issued capital stock to retire debt. The effect of the change of Javelin's interest in its subsidiary as a result of the share issue was included in the determination of consolidated net income in 1973 which conformed with G.A.A.P. in Canada.

In accordance with G.A.A.P. in the United States, the increases in the parent company's interest in its subsidiary arising from issuance of capital stock by the subsidiary would have increased capital surplus rather than being recorded as extraordinary income.

If G.A.A.P. of the United States had been followed, income and retained earnings as reported in 1973 would have been reduced by \$419,350 resulting in a loss of \$146,318 (\$0.02 per share) rather than income of \$273,032 (\$0.04 per share) and capital surplus would have increased by \$419,350. Concomitantly, in statements for periods subsequent to 1973, if G.A.A.P. in the United States had been followed consolidated retained earnings as stated would be decreased by \$419,350 and capital surplus would be increased by the same amount.

- (d) In accordance with G.A.A.P. in the United States, the present value of compensation arising from an individual retirement agreement would have been accrued by the end of the individual's active period of employment. Under G.A.A.P. in Canada, the retirement agreement may be accounted for as a commitment and the compensation under agreement would be considered an expense when paid.

NOTE 16ROYALTIES

- (a) Javelin receives royalties from Wabush Mines of \$0.75 per ton increased in direct proportion to the increase in the published Lake Erie price of Old Range Non-Bessemer ore (\$2.13403 per ton at December 31, 1981; \$1.87275 per ton at December 31, 1980; and \$1.61613 per ton at December 31, 1979), but not less than \$3,250,000 annually. These royalties have been assigned to secure the bank loan (See Note 10(a)) and the payment of tax assessments to Revenue Canada (See Note 11(e)).

- (b) Javelin is obligated to pay to Knoll Lake Minerals Limited (39.5% owned by Javelin) a royalty of \$0.32 per ton on shipments from the Wabush Mines.

Knoll Lake Minerals Limited pays annually, dividends equal to royalties received less expenses and income taxes. Javelin records the dividends on the accrual basis (1981 - \$269,205; 1980 - \$248,499; 1979 - \$298,078).

NOTE 17INCOME TAXES

- (a) (i) For the years ended December 31, 1981, 1980 and 1979 the income (loss) before provision for income taxes was as follows:

	<u>1981</u>	<u>1980</u>	<u>1979</u>
Canada	\$2,690,444	\$1,425,983	\$1,193,096
Foreign	<u>(1,575,679)</u>	<u>710,623</u>	<u>(945,177)</u>
	<u>\$1,114,765</u>	<u>\$2,136,606</u>	<u>\$ 247,919</u>

The provision for income taxes of \$1,100,000 for 1981, \$650,000 for 1980 and \$500,000 for 1979 all relate to Canadian income. The income or loss of foreign subsidiaries was nontaxable nor tax deductible in foreign jurisdictions or in Canada.

- (ii) Reconciliation of the income taxes, using the applicable statutory rates in Canada, to the recorded income tax expense for the years ended December 31, 1981, 1980 and 1979 are presented below.

	<u>1981</u>	<u>1980</u>	<u>1979</u>
<u>Income Before Extraordinary Item</u>			
Computed "expected" tax provision applying the statutory combined federal-provincial rate of 51.3% (50.5% for 1980 and 48% for 1979)	\$ 572,000	\$1,080,000	\$ 119,000
Increases (reductions) in taxes resulting from:			
Net (earnings) losses of subsidiaries and affiliates not (taxable) tax deductible	,798,012	(147,236)	198,090
Excess amortization and depreciation not deductible for tax purposes	248,257	301,112	287,142
Allowance in respect of items similar to those described in Note 11	1,371,240	1,069,440	1,321,005
Non-taxable dividends	(138,102)	(125,616)	(143,077)
Non-taxable receipts under the Javelin-Wabush Iron Contract	(661,564)	(529,566)	(529,778)
Resource allowance	(1,101,171)	(851,287)	(825,467)
Currency translation	<u>11,328</u>	<u>(146,847)</u>	<u>73,085</u>
Income tax provision	<u>\$1,100,000</u>	<u>\$ 650,000</u>	<u>\$ 500,000</u>
<u>Extraordinary Item</u>			
Expected tax provision by applying the statutory combined federal-provincial rate of 48%			\$ 113,241
Effects of capital gain not taxable			<u>(113,241)</u>
Income tax provision applicable to extraordinary item			<u>\$ NIL</u>

NOTE 17 (Cont'd)

(b) Deferred Income Taxes

The only significant item giving rise to timing differences between accounting income and taxable income is unamortized accumulated preproduction expenses. The amount of unamortized preproduction expenses for income tax purposes was in excess of the amounts recorded in the accounts of the Company. Deferred tax debits have not been recorded due to lack of virtual certainty of realizing these tax benefits in future years.

In the federal tax assessments, Revenue Canada claims that Javelin has a nil balance of unamortized preproduction expenses, in view of adjustments made by Revenue Canada (i) reducing prior years' accumulated unamortized preproduction expenses by an amount of \$6,947,080 and (ii) utilizing unamortized preproduction expenses in prior years due to inclusion of certain items in calculating taxable income for those years. Javelin is contesting these assessments and the adjustment reducing prior years' unamortized preproduction expenses. Javelin also maintains that it has an additional \$3,141,725 of exploration and development expenses which would be an addition to unamortized preproduction expenses of Javelin for income tax purposes. This amount has been written off for accounting purposes and would therefore eliminate any timing difference that may be created should Revenue Canada prevail (See Note 11).

(c) Loss Carry-Forwards

In its tax filings, Javelin is claiming \$7,600,000 of losses carry-forward to reduce future taxable income. If not utilized, the carry-forward would expire as follows:

1982	\$1,900,000
1983	3,400,000
1984	1,000,000
1985	800,000
1986	500,000

If Revenue Canada's position on the tax assessments were to prevail, the carry-forward would be eliminated (See Note 11).

NOTE 18 EXTRAORDINARY ITEM

In 1979 Javelin realized a gain on sale of Javelin House, St. John's, Newfoundland of \$265,919.

NOTE 19 NEWFOUNDLAND IMPOST ACT

In December 1978, a major portion of the mineral exploration concessions held under statutory agreements between Newfoundland, Javelin, and Newfoundland and Labrador Corporation Limited ("Nalco") (control of which was originally acquired from Newfoundland by Javelin for cash and additional considerations) were terminated in virtue of the Impost Act enacted by Newfoundland

NOTE 19 (Cont'd)

in 1978. In 1979, 1980 and 1981 additional areas were surrendered. The Company is seeking damages from Newfoundland. The outcome of this claim is not determinable at this time.

Exploration rights covering approximately 503,000 acres (203,500 hectares) as well as all formal mining leases such as the Wabush Lake Mines Lease have been retained. The Act provides for a tax on areas held at annual rates escalating from \$1.95 per hectare in 1981 to \$3.00 per hectare by 1982. Portions of exploration areas retained are currently under exploration by BP Minerals Limited, Noranda Exploration Company Limited, and Hudson's Bay Oil and Gas Company Limited. (licensees of Nalco). The amounts expended for exploration by the Company and its licensees are claimed as deductions in reduction of the tax. As a result of these reductions and the surrenders of concession areas the Company claims that no tax is payable. In March 1982, the Government of Newfoundland issued assessments totalling \$27,260 (including interest) for the years 1978-1980. The Company intends to contest the assessments.

NOTE 20 GOVERNMENT OF NEWFOUNDLAND

Javelin is seeking a declaration that The Mining and Mineral Rights Tax Act, 1975, is invalid and reimbursement of all sums paid as a result of the tax (See Note 5). In 1980, the Court of Appeal of Newfoundland held that the Act was valid. The Company has appealed the ruling to the Supreme Court of Canada. Javelin is also seeking significant deductions and credits for 1975 through 1981. The amount of tax recorded in the Company's financial statements for 1975 was \$546,368, for 1976 was \$1,048,661, for 1977 was \$1,186,920, for 1978 was \$976,610, for 1979 was \$1,376,483, for 1980 was \$1,347,739, and for 1981 is \$1,717,726. In 1981, Newfoundland amended the Act to eliminate retroactively to 1975 Javelin's claims for deductions of amounts expended by Javelin primarily in the development of the Wabush Mines prior to enactment of the Act. Javelin intends to contest the validity of the retroactive application of the amendment.

Should the position of Javelin be sustained, the amount of the taxes for said years may be eliminated in whole or in part and Javelin will realize income to the extent the taxes are reduced, the amount of which is not determinable at the present time and therefore, Javelin has not recorded any amount in its financial statements for this potential recovery.

Newfoundland claims, under The Mining and Mineral Rights Tax Act, 1975, an additional \$345,577 with respect to royalty payments made to Knoll Lake Minerals Limited during 1976, \$355,262 for 1977 and \$278,326 for 1978. These amounts plus \$193,273 paid for 1975 entitle Javelin to a refund from the amounts withheld and paid by Wabush Mines to Newfoundland under the Act. Thus, the liability has been duly recorded with an offset contra-entry.

NOTE 21 TRANSACTIONS WITH RELATED PARTIES

(a) Consulting contract with Mr. John C. Doyle (See Note 12(a)).

- (b) (i) In 1979, Javelin, Javelin Export, Pavonia, S.A. and Mr. John C. Doyle, entered into an agreement providing for payment of the balance of \$3,011,918 owing to Mr. Doyle by Javelin Export as of December 31, 1978 plus accrued interest, as a result of an arbitration award. The agreement provides for payments of \$500,000 each on January 25, 1980, 1981 and 1982, with the balance, including interest, to be paid in full on January 25, 1983. The indebtedness bears compound interest at the London Inter Bank Offer Rate (LIBOR) determined semi-annually (but no less than 9%) plus 3% per annum. At December 31, 1981 the interest rate on this indebtedness was 21 1/16%. To secure the balance of the amount claimed against him by Revenue Canada, Mr. Doyle in 1979 assigned \$1,989,376 of the Company's indebtedness to him to Revenue Canada; and in partial fulfillment of its obligation to provide collateral security to Mr. Doyle, Pavonia assigned to Revenue Canada sufficient amounts from its rights to receive from Wabush Mines the payments (assigned by Javelin to Pavonia) arising under the Javelin-Wabush Iron Contract (See Note 3). The balance claimed by Revenue Canada from Mr. Doyle has been reduced to \$339,376 as of January 1982. In 1981, the Company paid \$263,721 to Mr. Doyle on the balance owed in addition to the \$500,000 paid under the agreement on January 25, 1981.
- (ii) The \$500,000 payable to a shareholder (John C. Doyle) each year under the March 1979 agreement is reflected in current liabilities at December 31, 1981 and 1980. In addition, at December 31, 1980, the Company owed Mr. Doyle \$107,248, for expenses and amounts paid by Mr. Doyle on behalf of the Company including interest at LIBOR plus 3%.

NOTE 22 MINING RIGHTS, ETHIOPIA

In 1972, the Company acquired a mineral concession under a mining lease agreement from the Government of Ethiopia. The cost of the mineral rights obtained and additional exploratory work performed since acquisition is \$4,538,152 at December 31, 1981 (\$4,427,763 at December 31, 1980). Since acquisition, the Company has explored at depth by pitting and has made geochemical surveys, conducted metallurgical testing, mapping, and other exploration activities on the concession properties. These studies have indicated the presence of mineralized deposits that are being further explored to determine their full extent with the objective of proving a commercial ore body.

Civil conditions in the region have improved. In 1981 the Company began to carry out the proposed field work program approved by the Ethiopian Government in 1980. Although the Company has not yet completed certain exploration activities required by the mining lease agreement, and the Ethiopian Government may have the right to terminate the Company's interest, the Company expects the Ethiopian Government to agree that the lease agreement remains in effect and that the prospecting permit which expired in June 1981 will be extended. Land rentals on the lease have been paid through March 1982 with the next payment being due in June 1982. The Company plans to continue the field work program in 1982, however, there is no assurance that the follow-up work will disclose sufficient potential ore deposits to make exploitation economically feasible.

Javelin's Board of Directors has determined, and recorded in its minutes, that the Company's classes of business (principal segments by source of income) are:

Royalties

Sales of bullion

Interest and other

Javelin-Wabush Iron Contract

The Company's principal activities are divided into the following geographical areas:

Canada

Central and South America

Ethiopia

United States of America

(a) Segments by Source of Income

	<u>1981</u>	
	<u>Gross Revenue</u>	<u>Operating Profit</u>
Royalties	\$10,255,210	\$ 4,768,154
Sales of bullion	2,900,967	(288,914)
Interest and other	1,737,707	1,611,736
Javelin-Wabush Iron Contract	<u>1,289,599</u>	<u>1,289,599</u>
	<u>\$16,183,483</u>	<u>\$ 7,380,575</u>
Less common charges:		
General corporate expense		4,496,869
Interest expense		1,683,511
Equity in affiliate's loss		1,024
Loss on foreign currency conversion		<u>84,406</u>
		<u>6,265,810</u>
Income before income taxes and extraordinary item		<u>\$ 1,114,765</u>
	<u>Identifiable Assets</u>	<u>Depreciation and Amortization</u>
Royalties and Javelin-Wabush Iron Contract	\$18,349,425	\$ 603,055
Sales of bullion	2,428,162	120,167
Interest and other	19,846,017	21,333
Subsidiaries in the stage of exploration and development	<u>13,131,505</u>	<u>30,687</u>
	53,755,109	<u>\$ 775,242</u>
Investment and advances	<u>6,254,096</u>	
Total assets	<u>\$60,009,205</u>	

(b)

Segments by Geographical Location

	<u>Gross Revenue</u>	<u>1981</u> <u>Operating Profit</u>
Canada	\$11,544,809	\$ 6,057,753
Central and South America	4,502,153	1,312,272
United States of America	<u>136,521</u>	<u>10,550</u>
	<u>\$16,183,483</u>	<u>7,380,575</u>
Less common charges:		
General corporate expense		4,496,869
Interest expense		1,683,511
Equity in affiliate's loss		1,024
Loss on foreign currency conversion		<u>84,406</u>
		<u>6,265,810</u>
Income before income taxes and extraordinary item		<u>\$ 1,114,765</u>
	<u>Identifiable</u> <u>Assets</u>	<u>Depreciation</u> <u>and</u> <u>Amortization</u>
Canada	\$22,267,781	\$ 603,055
Central and South America	26,480,500	152,631
Ethiopia*	4,538,152	-
United States of America	<u>468,676</u>	<u>19,556</u>
	53,755,109	<u>\$ 775,242</u>
Investment and advances	<u>6,254,096</u>	
Total assets	<u>\$60,009,205</u>	

*There is no gross revenue
and operating profit
attributable to Ethiopia.

(c) Segments by Source of Income1980

	<u>Gross Revenue</u>	<u>Operating Profit</u>
Royalties	\$ 8,267,644	\$ 3,641,103
Sales of bullion	5,375,442	1,445,662
Interest and other	1,598,837	1,598,837
Javelin-Wabush Iron Contract	<u>1,047,608</u>	<u>1,047,608</u>
	<u>\$16,289,531</u>	<u>7,733,210</u>
Less common charges:		
General corporate expense		4,291,770
Interest expense		1,458,966
Equity in affiliate's loss		116,515
Gain on foreign currency conversion		(290,449)
Exploration costs written off		<u>19,802</u>
		<u>5,596,604</u>
Income before income taxes and extraordinary item		<u>\$ 2,136,606</u>
	<u>Identifiable Assets</u>	<u>Depreciation and Amortization</u>
Royalties and Javelin-Wabush Iron Contract	\$17,830,229	\$ 603,905
Sales of bullion	2,036,847	100,066
Interest and other	20,096,498	1,781
Subsidiaries in the stage of exploration and development	<u>12,988,002</u>	<u>15,587</u>
	<u>52,951,576</u>	<u>\$ 721,339</u>
Investment and advances	<u>6,321,650</u>	
Total assets	<u>\$59,273,226</u>	

(d) Segments by Geographical Location

	<u>1980</u>	
	<u>Gross Revenue</u>	<u>Operating Profit</u>
Canada	\$ 9,315,252	\$ 4,688,711
Central and South America	<u>6,974,279</u>	<u>3,044,499</u>
	<u>\$16,289,531</u>	<u>7,733,210</u>
Less common charges:		
General corporate expense		4,291,770
Interest expense		1,458,966
Equity in affiliate's loss		116,515
Gain on foreign currency conversion		(290,449)
Exploration costs written off		<u>19,802</u>
		<u>5,596,604</u>
Income before income taxes and extraordinary item		<u>\$ 2,136,606</u>
	<u>Identifiable Assets</u>	<u>Depreciation and Amortization</u>
Canada	\$21,565,253	\$ 603,905
Central and South America	26,958,560	117,434
Ethiopia*	<u>4,427,763</u>	<u>-</u>
	52,951,576	<u>\$ 721,339</u>
Investment and advances	<u>6,321,650</u>	
Total assets	<u>\$59,273,226</u>	

*There is no gross revenue and operating profit attributable to Ethiopia.

(e)

Segments by Source of Income1979

	<u>Gross Revenue</u>	<u>Operating Profit</u>
Royalties	\$ 8,625,799	\$ 3,898,261
Sales of bullion	3,399,472	780,404
Interest and other	1,651,802	1,651,802
Javelin-Wabush Iron Contract	<u>1,103,287</u>	<u>1,103,287</u>
	<u>\$14,780,360</u>	<u>7,433,754</u>
Less common charges:		
General corporate expense		5,129,050
Interest expense		1,610,021
Loss on foreign currency conversion		152,261
Exploration costs and investment and advances written off		<u>294,503</u>
		<u>7,185,835</u>
Income before income taxes and extraordinary item		<u>\$ 247,919</u>
	<u>Identifiable Assets</u>	<u>Depreciation and Amortization</u>
Royalties and Javelin-Wabush Iron Contract	\$17,558,994	\$ 611,736
Sales of bullion	1,859,623	98,408
Interest and other	20,084,464	413
Subsidiaries in the stage of exploration and development	<u>12,195,786</u>	<u>15,988</u>
	<u>51,698,867</u>	<u>\$ 726,545</u>
Investment and advances	<u>6,355,131</u>	
Total assets	<u>\$58,053,998</u>	

(f) Segments by Geographical Location

	<u>1979</u>	
	<u>Gross Revenue</u>	<u>Operating Profit</u>
Canada	\$ 9,752,716	\$ 5,025,178
Central and South America	<u>5,027,644</u>	<u>2,408,576</u>
	<u>\$14,780,360</u>	<u>7,433,754</u>
Less common charges:		
General corporate expense		5,129,050
Interest expense		1,610,021
Loss on foreign currency conversion		152,261
Exploration costs and investments and advances written off		<u>294,503</u>
		<u>\$ 7,185,835</u>
Income before income taxes and extraordinary item		<u>\$ 247,919</u>
	<u>Identifiable Assets</u>	<u>Depreciation and Amortization</u>
Canada	\$21,288,197	\$ 611,736
Central and South America	26,139,305	114,809
Ethiopia*	<u>4,271,365</u>	<u>-</u>
	51,698,867	<u>\$ 726,545</u>
Investment and advances	<u>6,355,131</u>	
Total assets	<u>\$58,053,998</u>	

*There is no gross revenue and operating profit attributable to Ethiopia.

(g) Capital Expenditures

In 1981, 1980 and 1979 the capital expenditures mainly relate to mining operations in Central America and South America.

C A N A D A

PROVINCE DE QUEBEC

C O U R S U P E R I E U R E

DISTRICT DE MONTREAL

No. 500-05-000798-825

REÇUE AU GREFFE

PAR

1982 04 07

LE

Le 7 avril 1982.

PRESENT: L'HONORABLE JUGE

MELVIN L. ROTHMAN

INVERSIONES MONTFORTE S.A.,
corps politique dûment in-
corporé ayant sa principale
place d'affaires à Panama,

requérante,

-vs-

JAVELIN INTERNATIONAL LIMITED,
corps politique légalement
constitué ayant sa principale
place d'affaires au 1115
Sherbrooke ouest, à Montréal,
suite 2903,

intimée,

-et-

FRANK A. POTTER, consultant,
résidant au 60 Pleasant Boule-
vard, app. 2107 à Toronto
Province d'Ontario,

-et-

RAYMOND GALLAGHER, consultant,
présidant au 58 Empire Avenue,
St-John, Province de Terre-
Neuve,

intervenants,

PAIS DE JUSTICE

MONTREAL

-et-

MICHEL ROBERT, avocat, ayant
son étude au 1 Complexe
Desjardins, suite 1211 à
Montréal,

-et-

WILLIAM WISMER, résidant à
Toronto, district de York,
Province d'Ontario.

-et-

FREDERICK H. SPARLING, es-
qualité de directeur nommé
suivant la loi des compagnies
et la loi sur les sociétés
commerciales canadiennes,

mis-en-cause

J U D G M E N T

This is an application for the appointment
of a receiver-manager under Section 234 of the
Canada Business Corporations Act (1974-75 S.C. ch.
33).

The applicant ~~Inversiones~~ Montforte S.A.
("Inversiones") is minority shareholder of Javelin
International Ltd. ("Javelin").

Javelin is a Canadian Corporation with head
office in Montreal engaged in the the business of
developing mining and other resources in various
part of the world.

In its application, as originally presented to this Court, Inversiones sought the appointment of a receiver-manager to carry on the business of Javelin, to receive its income and to pay its liabilities, on grounds that the affairs of Javelin had been conducted in a manner that was oppressive and unfairly prejudicial to Inversiones and other minority shareholders. Javelin entered a consent to this application. In the original application, however, Inversiones did not seek the removal of the directors or that they cease exercising their powers. On the contrary, the original application would have permitted the directors to remain in office and to continue to exercise their powers, but subject to certain supervisory limitations to be exercised by the receiver-manager.

During the hearing on these proceedings, however, counsel for Inversiones moved to amend its application so as to require that the powers of the receiver-manager be exercised with respect to the business affairs of Javelin and its subsidiaries to the exclusion of the present board of directors.

The Intervenant Frank A. Potter, a shareholder of Javelin, intervened in this case to request that this Court refuse to accept jurisdiction to try the present proceedings or that it declare itself a

forum non-conveniens to determine the appointment of a receiver-manager, or, alternatively, that this Court appoint a receiver-manager other than the receiver-manager suggested by the Inversiones and with much broader powers. Potter alleges that the present proceedings were brought by Inversiones in collusion with Javelin for the sole purpose of avoiding the jurisdiction of the Supreme Court of Ontario where similar proceedings under Section 234 of the Act have been pending since last fall.

The Intervenant Raymond Gallagher, another shareholder, has intervened to support the application of Inversiones.

Frederick H. Sparling, the Director appointed under the Canada Corporations Act and under the Canada Business Corporations Act contested the original application of Inversiones. Following the amendment of Inversiones' application requiring the suspension of the powers of the Board of Directors, however, Counsel for the Director confirmed that he had no objection to the appointment of Mr. Michel Robert as receiver-manager as requested in the present proceedings, but he requested that Mr. Robert be given ample powers to conduct the affairs of Javelin and to halt the virtual hemorrhage of its

funds in legal proceedings and payments to or for the benefit of John C. Doyle, a controlling shareholder of Javelin now living in Panama.

The Director is particularly concerned that the assets of Javelin be protected pending the completion of an investigation of Javelin's affairs ordered on May 17, 1977 under Section 114 of the Canada Corporations Act (1970 R.S.C. ch. - 32).

As mentioned above, at the outset of the present proceedings, Javelin consented to the order for the appointment of a receiver-manager in the terms originally requested by Inversiones. Upon the amendment of the application requiring that the powers of the receiver-manager be exercised to the exclusion of the Board, Counsel for Javelin contended that aspect of the application. He urged that the present directors should be left in place and should be permitted to exercise their powers as directors, subject, of course, to the supervision of the receiver-manager.

* * * * *

Before dealing with the merits of these pro-

ceedings, I must deal with the jurisdictional issue raised on behalf of Mr. Potter in his intervention.

It is common ground that the Superior Court of Quebec has jurisdiction to determine the appointment of a receiver-manager under Section 234 of the Act. None of the parties disputes that jurisdiction.

The head office of Javelin is in Montreal. All of its corporate and accounting records are here, and its board of directors meets here. Its last shareholders' meeting was held in Quebec. Any assets that it may have in Ontario are apparently in Ontario only transiently.

Notwithstanding the jurisdiction in this Court, Counsel for Potter suggests that Javelin attorned to the jurisdiction of the Supreme Court of Ontario in proceedings taken before that Court by another shareholder, William Wismer, and that it is now bound to accept the jurisdiction of that Court. Javelin contends that it did nothing to submit to that jurisdiction and, indeed, contested the jurisdiction of the Supreme Court of Ontario from the outset, agreeing to produce its affidavit evidence only after receiving permission to file a conditional appearance for the purpose of indicating it did not accept jurisdiction.

For purposes of the present proceedings, however, I do not believe that I need decide whether Javelin did or did not attorn to the Ontario jurisdiction. Whatever the merits of Mr. Potter's submission on that score, it seems clear that the present applicant, Inversiones, was not a party to the Ontario proceedings and it would not have been bound by anything Javelin may have done or not done. As a shareholder, Inversiones would clearly have the right to have the present application decided and its right is not dependent upon the proceedings now pending in Ontario between Wismer and Javelin. While there may have been some grounds for the suspicion that Javelin was prepared to consent to the Inversiones petition merely in order to avoid facing a more severe application in Ontario, this question is of much less practical consequence since both applications now contemplate the suspension of the powers of the directors.

As the place where the head office of Javelin is located, where all of its records are kept and its directors normally meet, I believe that this is the natural and logical forum to try the present issues. I can see no basis for declining to accept jurisdiction or for declaring that the Superior Court of Quebec would be a forum non-conveniens. On the contrary, this would appear to be the most convenient forum.

As to any possibility of a constitutional problem in dealing with an application under Section 234 in Quebec which might not exist in Ontario, no constitutional question has been raised before me by any of the parties and no one has called into question the legislative competence of Parliament to legislate with respect to the matters contemplated under Section 234 of the Act. I therefore face no constitutional problem in the present application and, while I am aware of the judgment of Mr. Justice Vaillancourt in the case of Montel v. Groupe de Consultants P.G.L. (C.S.M. No. 500-05-004409-817), I do not consider it would be proper to examine an issue that has not been raised. In any event, with respect, if there were a constitutional problem, I fail to see how that problem could be any different in Ontario than it is in Quebec.

In short, I conclude that this Court has jurisdiction to hear the application and I can see no basis for declining to exercise it.

* * * * *

On the merits of the application, I am entirely satisfied that the affairs of Javelin have been conducted in a manner that is oppressive and unfairly prejudicial to minority shareholders.

Javelin's consent to judgment on the application alleging this oppression can reasonably be taken as an acknowledgment of the oppression alleged. Moreover, the evidence of oppression and abuse is uncontradicted. There may be some room for argument as to who has caused the abuse, but all of the evidence indicates that the interests of minority shareholders are being unfairly disregarded.

For many years there has been a war for control of Javelin. The directors of the Company have spent enormous sums to gain and to maintain control of the Company, its subsidiaries and their respective assets. In 1980, the Company spent some "2,000,000 to \$3,000,000 in legal fees and a similar sum in 1981. I have little doubt that a substantial proportion of these sums has been expended in these sterile pursuits.

In addition, the directors have been permitting the Company to pay huge sums in consulting fees and interest to John C. Doyle, a controlling shareholder now living in Panama, as well as equally substantial amounts to Revenue Canada on account of personal income taxes owing by Doyle.

While some of these amounts may be justified, there appears to be little control on the outflow of

funds to Mr. Doyle. On the face of things, the payments appear extraordinary. In 1980, these payments to Doyle or for his benefit totalled over a million dollars while in 1981 they totalled almost \$900,000.

Since 1977, the Director has been conducting an investigation into the affairs of Javelin. His investigation has been completed and hearings before the Restrictive Trade Practises Commission have been scheduled to take place this month. In the interest of all of the shareholders, I believe that the business and assets of Javelin should be protected until these proceedings have been completed.

I have therefore concluded that a receiver-manager should be appointed immediately with extensive powers to control and carry on the affairs of Javelin, to receive its income, to pay its just debts and to protect its assets.

I have concluded, as well, that it would be inappropriate to leave the existing Board in place or permit the directors to exercise their powers until the affairs of the Company have been investigated and until the receiver-manager has been discharged. The powers of the directors will be suspended until that time.

The appointment of the receiver-manager should extend until the proceedings with respect to Javelin

before the Restrictive Trade Practises Commission have been finally determined and concluded. Counsel have advised that this might take two years. The appointment will therefore be made for two years, subject to application for discharge or for extension should the circumstances so warrant.

Given the investigation already undertaken by the Director and the proposed hearings before the Restrictive Trade Practises Commission, I can see no purpose in ordering another investigation at this time. In any event, I do not consider that it would be appropriate to direct the receiver-manager to make an investigation of the kind requested by Potter. I doubt that the function of investigator is compatible with the functions of a receiver-manager.

As to the question of costs, I believe that the framework of the original application requiring the directors to continue in office was more than sufficient reason to justify the contestation of the application by the Director and by the Intervenants. Costs will therefore be granted to the Director and to the Intervenants on these proceedings.

Given the urgency of these proceedings, as requested by the Applicant, provisional execution will be ordered notwithstanding any appeal.

i) Orders that the receiver-manager shall be entitled to vote all shares held by Javelin in any subsidiaries and affiliates to the exclusion of any of the directors of Javelin, and to attend all meetings of such subsidiaries and affiliates;

j) Orders that the receiver-manager shall furnish to the Director and to the Restrictive Trade Practises Commission such documents and information as they or either of them may request in connection with the investigation and the inquiry now pending before the Commission and orders that these proceedings shall not be contested on behalf of Javelin unless authorized by this Court.

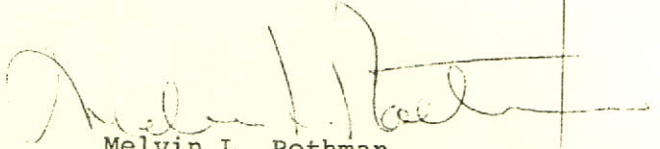
k) Orders that the disbursements and fees of the receiver-manager shall be paid to him out of the income and property of Javelin in such amounts as may be approved by this Court, the accounts of the receiver-manager to be submitted for approval on a reasonable periodic basis.

l) Orders provisional execution of the present judgment notwithstanding appeal;

m) Orders that the receiver-manager shall not be required to furnish security;

The whole with costs of the present Application,

costs of the Contestation of the Director, as well as the costs of the Interventions of Potter and Gallagher against the Respondent.


Melvin L. Rothman,
J.S.C.

Me Philippe Casgrain, c.r., & Me Pierre Fournier
Byers & Casgrain,
(Counsel for Applicant)

Me Joseph Nuss, Q.C.,
Me Joël Silcoff,
Messrs. Ahern, Nuss & Drymer,
(Counsel for Respondent)

Me Jack Greenstein, Q.C.,
Messrs. Doheny, Mackenzie & Associates,
(Counsel for Intervenant A. Potter)

Me Louis A. Toupin,
Lapointe Schachter & Associés,
(Counsel for Intervenant Raymond Gallagher)

Me Pierre Bourque, c.r., & Me François Garneau
Desjardins, Ducharme & Associés,
(Counsel for Mis-en-cause Frederick H. Sparling)

Me Jacques Viau, c.r.,
Viau, Bélanger & Associés,
(Counsel for Mis-en-cause Michel Robert)

