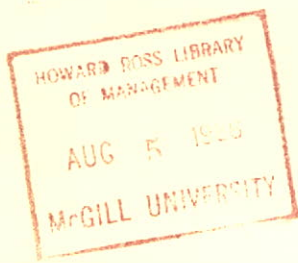




1985

ANNUAL REPORT





PLACE DU QUARTIER
1111 RUE ST-URBAIN, SUITE 102
MONTRÉAL, QUÉ., CANADA H2Z 1Y6

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LETTER TO SHAREHOLDERS

Montreal, April 8, 1986.

As Receiver-manager of Javelin International Limited, I am pleased to send you the audited consolidated financial statements and auditor's report for the year ended December 31, 1985.

The Company had revenues of \$ 17 885 744 and a net income of \$ 2 165 331 or \$ 0.302 per share for 1985 compared to revenues of \$ 18 772 538, a net income of \$ 2 411 461 or \$ 0.336 per share for 1984.

The Company's gross revenue for 1985 decreased by \$ 886 794 (5%) from 1984 and for 1984 increased by \$ 3 354 170 (22%) over 1983.

In 1985, royalties on iron ore shipments decreased by \$ 1 239 404 (10%) over 1984 primarily due to reduced shipments of ore from Wabush Mines. In 1984, royalties on iron ore shipments increased by \$ 1 826 120 (17%) over 1983 primarily due to increased shipments of iron ore due to a recovery of the demand for steel.

The royalty rate on iron ore shipments is \$ 2.04800 per ton at December 31, 1985, compared to \$ 2.04171 per ton at December 31, 1984 and \$ 2.13484 per ton at December 31, 1983.

The Company's royalty rate increases or decreases (but not below \$0.75 per ton) proportionately with increases or decreases in the published price of ore. Shipments for 1985, were 5,606,341 tons compared to 6,219,190 tons for 1984 and 5,098,452 tons for 1983. The Company's revenue from the sale of oil and gas for 1985 increased by \$ 301 136 (10%) over 1984 and for 1984 increased by \$ 997 808 (52%) over 1983 primarily because of an increase in the number of producing wells.



ADDITIONAL FINANCIAL DATA
TO THE 1985 ANNUAL REPORT

JAVELIN INTERNATIONAL LIMITED

SELECTED CONSOLIDATED FINANCIAL DATA

(In Canadian dollars)

Year Ended December 31.

	<u>1985</u>	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1981</u>
	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)
<u>SELECTED INCOME STATEMENT DATA:</u>					
Revenue:					
Gross Royalties Earned	\$11,434,087	\$12,673,491	\$10,847,371	\$ 6,367,436	\$10,255,210
Sales of Bullion	-	-	-	-	2,900,967
Oil and Gas Sales	3,229,695	2,928,559	1,930,751	1,319,319	-
Interest and Other	1,891,314	1,645,259	1,309,287	1,311,505	1,601,186
Income Under Javelin-Wabush					
Iron Contract	1,330,648	1,525,229	1,330,959	793,632	1,289,599
Bakery Revenue	-	-	-	-	136,521
	<u>\$17,885,744</u>	<u>\$18,772,538</u>	<u>\$15,418,368</u>	<u>\$ 9,791,892</u>	<u>\$16,183,483</u>
Income (Loss) from Continuing Operations before Extraordinary Items.					
	<u>\$ 2,165,331</u>	<u>\$ 2,608,884</u>	<u>\$ 2,572,842</u>	<u>\$ (35,343)</u>	<u>\$ 14,765</u>
Income (Loss) per share from Continuing Operations Before Extraordinary Items (Note 1).					
	<u>\$ 0.302</u>	<u>\$ 0.364</u>	<u>\$ 0.359</u>	<u>\$ (0.004)</u>	<u>\$ 0.002</u>
<u>SELECTED BALANCE SHEET DATA:</u>					
Total Assets	<u>\$37,934,108</u>	<u>\$39,604,345</u>	<u>\$29,962,913</u>	<u>\$26,779,491</u>	<u>\$60,009,205</u>
Long-Term Debt	NIL	NIL	NIL	NIL	4,521,789
Cash Dividends per Share	\$ 0.25	NIL	NIL	NIL	NIL

- Note: (1) The amounts in 1985, 1984, 1983 and 1982, include the operations of Bison Petroleum and Minerals Limited and exclude the figures for Pavonia, S.A. and Subsidiaries (See notes to Consolidated Financial Statements).
- (2) The amounts for 1981, include the consolidated of Pavonia, S.A. and exclude the Consolidated figures for Bison Petroleum and Minerals Limited.
- (3) The outstanding convertible debentures, warrants and options do not have material dilutive effect on the earnings per share data.

JAVELIN INTERNATIONAL LIMITED AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA (continued)
(In Canadian dollars)

	<u>Year Ended December 31.</u>				
	<u>1985</u>	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1981</u>
Income (loss) from Continuing Operations before Extraordinary Items in Accordance with Canadian G.A.A.P.	\$2,165,331	\$2,608,884	\$2,572,842	\$(35,343)	\$ 14,765
<u>Add (Deduct):</u>					
Gain on Sale of Building treated as Extraordinary Item under Canadian G.A.A.P.	-	-	-	181,419	-
Settlement of Mining Tax Litigation with the Government of Newfoundland Treated as Prior Year's Adjusted Under Canadian G.A.A.P.	-	-	-	646,632	-
Settlement of Income Tax Litigation with Revenue Canada and Province of Quebec Treated as Prior Year's Adjusted Under Canadian G.A.A.P.	294,696	1,334,985	-	(1,599,826)	-
Adjustment in Respect of Deferred Liability Under Individual Retirement Agreements.	<u>-</u>	<u>-</u>	<u>8,508</u>	<u>250,644</u>	<u>(6,715)</u>
Income (Loss) from Continuing Operations Before Extraordinary Items in Accordance with United States G.A.A.P.	<u>\$2,459,980</u>	<u>\$3,943,869</u>	<u>\$2,581,350</u>	<u>\$(556,474)</u>	<u>\$ 8,050</u>
Income (Loss) per Share from Continuing Operations Before Extraordinary Items in Accordance with United States G.A.A.P. (Note 4)	\$ 0.343	\$ 0.550	\$ 0.360	\$(0.078)	\$ 0.001

Note (4)

In the period for which income is reported, the dilutive effect of the outstanding convertible debentures, warrants and options would be less than 3%

Information on Oil and Gas Operations

The following information has been included to comply with the United States Securities and Exchange Commission regulations and is presented in accordance with the guideline issued by the Financial Accounting Standards Board in its statement No. 69.

Accounting Policy

The company adheres to the successful efforts method of accounting for oil and gas producing activities.

Capitalized Costs Relating to Oil and Gas Producing Activities

	<u>Year ended 31 December</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
	(thousands of Canadian Dollars)		
Unproved oil and gas properties	\$ 309	\$ 356	\$ 397
Proved oil and gas properties	<u>3,121</u>	<u>2,177</u>	<u>1,370</u>
	3,430	2,533	1,767
Accumulated depreciation, depletion and amortization	<u>1,401</u>	<u>1,161</u>	<u>1,058</u>
Net capitalized costs	<u>\$2,029</u>	<u>\$1,372</u>	<u>\$ 709</u>

All properties are located in Canada.

Costs incurred in Oil and Gas Properties Acquisition, Exploration and Development Activities

	<u>Year Ended 31 December</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
	(thousands of Canadian Dollars)		
Property acquisition costs	\$ -0-	\$ -0-	\$ -0-
Exploration costs	67	106	104
Development costs	<u>956</u>	<u>939</u>	<u>5</u>
	<u>\$1,023</u>	<u>\$1,045</u>	<u>\$ 109</u>
All costs are incurred in Canada			

Results of Operations for Producing Activities

Year ended 31 December

	<u>1985</u>	<u>1984</u>	<u>1983</u>
	<u>(thousands of Canadian Dollars)</u>		
Revenue:			
Sales	\$2,593	\$2,374	\$1,531
	- - - -	- - - -	- - - -
Deduct:			
Production costs	755	811	593
Exploration expenses	67	106	104
Depreciation, depletion			
and amortization	257	103	16
Income tax expenses	787	704	416
	<u>1,866</u>	<u>1,724</u>	<u>1,129</u>
Results of operations for			
producing activities	\$ 727	\$ 650	\$ 402
	<u> </u>	<u> </u>	<u> </u>
All operations are in Canada			

Estimated Quantities of Proved Oil and Gas Reserves

	<u>Oil</u>	<u>Gas</u>
Proved developed and undeveloped reserves		
At 31 December 1982	1,514	10,364
Production	<u>48</u>	<u>-0-</u>
At 31 December 1983	1,466	10,364
Production	<u>85</u>	<u>42</u>
At 31 December 1984	1,381	10,322
Revisions of previous estimate	138	-0-
Production	<u>94</u>	<u>45</u>
At 31 December 1985	<u>1,149</u>	<u>10,277</u>
Proved Developed Reserves		
At 31 December 1982	715	2,570
At 31 December 1983	<u>667</u>	<u>2,570</u>
At 31 December 1984	<u>757</u>	<u>3,045</u>
At 31 December 1985	<u>525</u>	<u>3,000</u>

All reserves are located in Canada. Oil is expressed in thousands of barrels.
Gas is expressed in Millions of cubic feet.

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein
Related to Proved Oil and Gas Reserves

	<u>Year ended 31 December</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
	(thousands of Canadian Dollars)		
Future cash inflows	\$18,110	\$12,943	\$15,411
Future costs:			
Production and development	5,684	8,880	9,990
Income taxes	<u>5,863</u>	<u>2,113</u>	<u>2,819</u>
Future net cash flows	6,563	1,950	2,602
Deduct: 10% annual discount factor	<u>2,294</u>	<u>463</u>	<u>658</u>
Standardized measure of discounted future net cash flows	<u>\$4,269</u>	<u>\$1,487</u>	<u>\$1,944</u>

The following are the principal sources of change in the standardized measure of discounted future net cash flows:

	<u>Year ended 31 December</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
	(thousands of Canadian Dollars)		
Beginning of year	\$1,487	\$1,944	\$1,889
Sales of oil and gas, net of production costs	(1,771)	(1,457)	(834)
Net change in prices and production costs	2,953	46	221
Extensions, discoveries and improved recovery less related costs	531	-0-	-0-
Accretion of discount	149	195	189
Net change in income taxes	<u>920</u>	<u>759</u>	<u>479</u>
End of year	<u>\$4,269</u>	<u>\$1,487</u>	<u>\$1,944</u>

All reserves are located in Canada

Future net cash flows were computed using year end prices and costs and year end statutory tax rates (adjusted for permanent differences) that relate to existing proved oil and gas reserves.

Standardized Measure of Discounted Future
Net Cash Flows From Proved Oil and Gas
Reserves in Succeeding Fiscal Year

Year Ended 31 December

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989 and Future Years</u>
Future cash inflows	\$ 2,234	\$ 2,074	\$ 1,939	\$ 11,863
Future costs:				
Production and development	517	517	517	4,133
Income taxes	<u>721</u>	<u>688</u>	<u>652</u>	<u>3,802</u>
Future net cash flows	996	869	770	3,928
Deduct 10% annual discount factor	<u>91</u>	<u>151</u>	<u>191</u>	<u>1,861</u>
Standardized measure of discounted future net cash flows	<u>\$ 905</u>	<u>\$ 718</u>	<u>\$ 579</u>	<u>\$ 2,067</u>

Market for the Company's Common Equity
and Related Stockholder Matters.

The Common Shares are trading in the United States in the over-the-counter market and are registered in the National Association of Securities Dealers Quotation ("NASDAQ") system. The Common Shares are also traded on the Vancouver Stock Exchange in Vancouver, Canada.

PRICES AND DIVIDEND INFORMATION
PRICE RANGE OF COMMON SHARES

	<u>1984</u>	<u>(1)</u>	<u>1985</u>	<u>(1)</u>
	<u>U.S.</u>	<u>\$</u>	<u>U.S.</u>	<u>\$</u>
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First Quarter	\$ - (2)	\$ - (2)	\$1.125	\$.625
Second Quarter	1.125	1.00	1.75	1.125
Third Quarter	1.125	1.00	2.25	1.50
Fourth Quarter	1.00	.50	2.687	2.125

(1) The above prices reported by the National Quotation Bureau, Incorporated, represent high and low bid quotations between dealers and do not include retail markups, markdowns or commissions. Such quotations do not reflect actual transactions.

(2) The Common Shares were not included in the NASDAQ system during the first quarter of 1984 because the Company had not filed certain audited financial statements as required by the Securities and Exchange Commission.

Vancouver Stock Exchange

	<u>1985</u>	<u>(3)</u>
	<u>Can.</u>	<u>\$</u>
	<u>High</u>	<u>Low</u>
First Quarter	\$2.00	\$.85
Second Quarter	3.00	1.75
Third Quarter	3.40	2.15
Fourth Quarter	3.95	3.05

(3) On November 28, 1984, the Common Shares commenced trading on the Vancouver Stock Exchange, after having been suspended from such trading since January 1984.

As of December 31, 1985, there were 10,596 holders of record of the Common Shares and 7,169,648 outstanding Common Shares.

Except for a \$0.25 per Common Share dividend paid on December 11, 1985, the Company has never paid any cash dividends.

Revenue from the Javelin-Wabush Iron Contract decreased by \$ 194 581 (13%) in 1985 over 1984 and increased by \$194 270 (15%) in 1984 over 1983. Revenue from the Javelin Wabush Iron Contract indicated the same trend as royalty revenues because both were based on shipments of ore from the Wabush Mines. Interest and other revenues for 1985 increased by \$ 288 290 (22%) from 1984 and for 1984 increased by \$ 271 353 (26%) from 1983 primarily because of substantially increased investments in marketable securities.

Total direct costs for 1985 decreased by \$ 376 402 (4%) from 1984 primarily due to a decrease in iron ore shipments and for 1984 increased by \$ 1 528 018 (21%) from 1983 primarily due to an increase in production and shipment of iron ore and oil and gas sales.

Administrative and general expenses decreased by \$ 234 789 (10%) for 1985 from 1984 due to a general reduction in expenses and increased by \$ 69 815 (3%) for 1984 from 1983 due to a general increase in expenses.

The Company made capital expenditures of \$ 1 004 908 in 1985 and \$ 1 025 450 in 1984 for exploration and development costs primarily for oil and gas production.

The working capital increase for 1985 of \$ 796 548 over 1984 and in 1984 of \$ 1 814 277 over 1983 resulted primarily because of income from operations.

JUDGMENT OF THE SUPERIOR COURT
OF QUEBEC - FEBRUARY 27, 1986

On February 27, 1986, the Honourable Mr. Justice John H. Gomery of the Superior Court, Province of Quebec, district of Montreal, issued a judgment concerning, among other matters, several petitions involving the Company, filed by the Director appointed under the Canada Business Corporations Act and several shareholders of the Company.

The Court annulled retroactively the consulting contracts between the Company, certain of its subsidiaries, and John C. Doyle and contracts entered into by the Company as a consequence of the submissions to arbitration of the

claims of Mr. Doyle made before Christopher Honeyman Brown, and the arbitration award rendered by him in 1978; and all assignments by which the Company transferred its right to receive royalties and other sums from Wabush Mines to Pavonia S.A., to the Banque Nationale de Paris in Panama, or to Revenue Canada for payment of Mr. Doyle's income taxes.

The Court also ordered Mr. Doyle to pay to the Company \$ 15 419 382 as damages he has caused under the consulting contracts, as reimbursement for fees and other remuneration paid to him or for his benefit thereunder, and as compensation for the money appropriated by him from a subsidiary of the Company.

The Court ordered the cancellation of 1,064,766 of the Company's shares registered in Mr. Doyle's name for which he shall be credited for each share so cancelled at a rate of \$ 4.50 per share, subject to certain conditions including the condition that the amounts to be so credited shall be retained by Javelin as partial compensation for the amount of \$ 15 419 382 to which Mr. Doyle is condemned by the Court's judgment. In addition, the Court ordered the \$ 0.25 per share dividend payable in December 1985, with respect to Mr. Doyle's shares, be applied by the Company as partial payment of the \$ 15 419 382 condemnation.

The Court further ordered that a trial shall take place to determine, among other things, whether Mr. Doyle is the beneficial owner of the capital stock of Kanara S.A., Luanda S.A., Seriedad S.A., Vilamar S.A. and Pole Investments Inc., and whether the shares of the Company registered in the names of the foregoing corporations should be cancelled. The Court ordered that until a final judgment has been rendered with respect to the issues to be tried, the shares of the Company registered in the names of Kanara S.A., Luanda S.A., Seriedad S.A., Vilamar S.A. and Pole Investments Inc. shall be under seizure, and no transfer or disposition of them shall take place and no one shall be entitled to any voting rights with respect to them.

The Court extended until June 30, 1986, the term of the Receiver-manager, subject to extension or reduction on application by an interested person should the circumstances warrant.

The Court also removed from office the members of the Company's Board of Directors and ordered the amendment of the Company's articles of association and by-laws so as

to reduce the number of Directors to seven. Furthermore, the Court ordered that a meeting of the Company's shareholders be held not later than June 30, 1986, in Montreal, as determined by the Receiver-manager, who shall preside at the meeting. The business to be transacted at the meeting shall be:

- a) the consideration of the Company's financial statements as at December 31, 1985 and the report of the Company's auditors;
- b) the appointment of the Company's auditors;
- c) the election of three (3) members to the Board of Directors, to hold office until re-elected at the annual general meeting of the shareholders to be held in 1987; and
- d) any other business to be properly brought before the meeting;

The Court said it would appoint the other four directors after hearing on April 10, 1986, proposals by any interested party, and that such directors will hold office until re-elected or replaced at the 1987 annual general shareholders meeting.

The Court said that the Company's directors will be empowered to carry on the business and affairs of the Company as full as provided by law and the Company's by-laws, except that until election of the Company's Board of Directors at the 1987 annual general shareholders' meeting any director or other interested party can apply for the Court's directions with respect to any matter where the Directors are in disagreement, and the Court's decision, if it intervenes, will govern the matter. The Court appointed me to act as a special consultant to the Company's Board of Directors for the first six months after the expiry of my appointment as Receiver-manager so as to assist the Company's directors and employees in the performance of their duties during the transition period.

The Court also ordered for provisional execution notwithstanding any appeal, of all of the orders contained in its judgment, except for the order condemning Mr. Doyle

to pay to the Company \$ 15 419 382 with interest, and the order cancelling his shares in the Company.

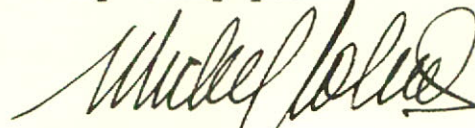
APPEALS OF JOHN C. DOYLE and
ASIAMERICA CAPITAL LTD.

On March 27, 1986, John C. Doyle and Asiamerica Capital Ltd., Industrial Equity (Pacific) Ltd. and J.W. Holdings (H.K.) Ltd. filed appeals to the February 27, 1986 judgment of the Honourable Mr. Justice John H. Gomery of the Superior Court of Quebec.

These appeals are presently pending before the Court of Appeal of the Province of Quebec.

Please be assured of my continued efforts in the interest of the shareholders and in the execution of my mandate.

Very truly yours,



MICHEL ROBERT, Q.C.
Receiver-manager
JAVELIN INTERNATIONAL LIMITED
Place du Quartier
1111 St-Urbain Street
suite 102
Montreal, Que
CANADA
H2Z 1Y6

ROSTON, REINHARZ, BRATT, FREMETH

COMPTABLES AGRÉES / CHARTERED ACCOUNTANTS

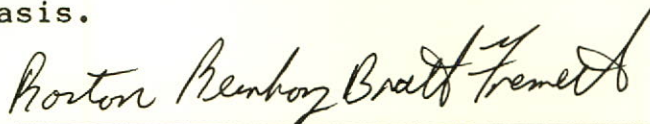
JOSEPH D. ROSTON, C.A.
BERNARD H. REINHARZ, C.A.
STEPHEN BRATT, C.A.
LEONARD L. FREMETH, C.A.
WILLIAM J. STAR, C.A.
ERIC BLITSTEIN, C.A.

AUDITORS' REPORT

To the Receiver-manager of
Javelin International Limited

We have examined the consolidated balance sheets of JAVELIN INTERNATIONAL LIMITED as at December 31, 1985 and 1984, and consolidated statements of income, deficit, and changes in financial position for each of the two years then ended, and the supporting schedules. Our examination was 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.

In our opinion, these consolidated financial statements present fairly the financial position of JAVELIN INTERNATIONAL LIMITED as at December 31, 1985 and 1984, the results of its operations and the changes in its financial position for each of the two years then ended 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 17 to the financial statements) applied on a consistent basis.

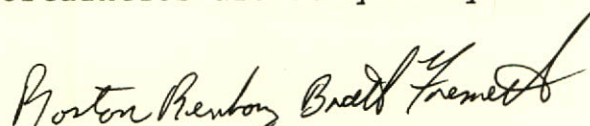


CHARTERED ACCOUNTANTS

Montreal, Canada
March 21, 1986.

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 and 14, to the consolidated financial statements. The opinion in our report to shareholders dated March 21, 1986, 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.



CHARTERED ACCOUNTANTS

Montreal, Canada
March 21, 1986.

JAVELIN INTERNATIONAL LIMITED
(Incorporated under the Canada Business Corporations Act)

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1985 AND 1984
(In Canadian Dollars)

	<u>1985</u>	<u>1984</u> (Restated) (Note 16)
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and term deposits	\$ 1,920,163	\$ 2,374,587
Marketable securities at cost		
Market value 1985 - \$13,137,133		
1984 - \$8,898,315	13,081,936	8,911,976
Royalties and other receivables (Note 4)	4,546,965	6,567,634
Receivable from the Government of Newfoundland (Note 5)	3,912,278	3,469,732
Income taxes receivable (Note 13)	-	3,484,390
Deposits and prepaid expenses	537,846	729,382
	\$ 23,999,188	\$ 25,537,701
Receivable under the Javelin-Wabush Iron Contract - Net of unamortized valuation discount (Note 6)	4,733,604	4,913,809
Balance due re: sale of the Linerboard Project - Net of allowance (Note 7)	3,079,334	3,079,334
Compensation receivable - Julianne Lake (Note 8)	750,000	750,000
Mortgage receivable (Note 9)	443,463	447,613
Advances to and investments in a non-consolidated subsidiary and associated companies (Note 10)	4,267	4,267
Properties, mineral rights, leases, permits and concessions including exploration, development and well costs, plant and equipment (Note 11)	4,924,252	4,871,621
	\$ 37,934,108	\$ 39,604,345
	=====	=====

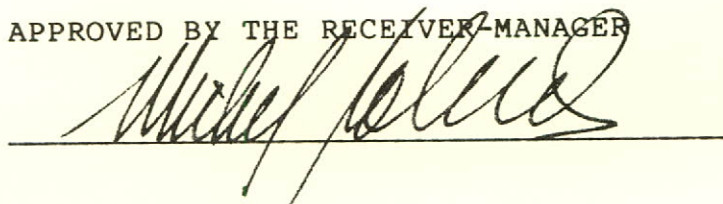
SUBMITTED WITH OUR REPORT
DATED MARCH 21, 1986.

SEE THE ACCOMPANYING NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS.

Boston Kenyon Brath & Fennell
CHARTERED ACCOUNTANTS

	<u>1985</u>	<u>1984</u> (Restated) (Note 16)
<u>LIABILITIES</u>		
<u>CURRENT</u>		
Accounts payable	\$ 2,014,620	\$ 1,848,813
Amounts claimed by the Government of Newfoundland (Note 12)	14,348,985	12,331,647
Income taxes payable (Note 13)	1,341,499	4,857,869
Deferred income taxes	<u>-</u>	<u>1,001,836</u>
	\$ 17,705,104	\$ 20,040,165
Due to non-consolidated subsidiaries (Note 2)	566,835	580,821
Advances payable to minority shareholders	19,098	32,445
Deferred income taxes	182,166	96,000
Minority shareholders' equity	<u>1,415,878</u>	<u>1,182,806</u>
	\$ <u>19,889,081</u>	\$ <u>21,932,237</u>
Contingent liabilities, litigation and other matters (Notes 1 and 14)		
<u>SHAREHOLDERS' EQUITY</u>		
Capital stock (Note 1)		
Authorized		
Class "A" preferred, unlimited number of no par value shares		
Common, unlimited number of no par value shares		
Issued and fully paid		
7,169,648 common shares	\$ 42,592,787	\$ 42,592,787
Contributed surplus	45,000	45,000
Deficit	<u>(24,592,760)</u>	<u>(24,965,679)</u>
	\$ <u>18,045,027</u>	\$ <u>17,672,108</u>
	\$ <u>37,934,108</u> =====	\$ <u>39,604,345</u> =====

APPROVED BY THE RECEIVER-MANAGER



JAVELIN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 1985, 1984 AND 1983
(In Canadian Dollars)

	<u>1985</u>	<u>1984</u> (Restated) (Note 16)	<u>1983</u> (Unaudited) (Restated) (Note 16)
<u>DEFICIT - BEGINNING OF YEAR</u> <u>AS PREVIOUSLY STATED</u>	\$(25,260,328)	\$(30,549,586)	\$(33,316,624)
<u>PRIOR PERIOD ADJUSTMENTS</u> <u>AND CORRECTIONS</u> (Note 16)			
Correction of convertible debentures (Note 14(g))	-	686,013	623,213
Correction of Newfoundland escalation taxes (Note 12)	-	693,818	570,837
Settlement of income taxes litigation including interest and deferred income tax thereon (Note 13)	250,268	1,661,520	1,490,325
Other income tax and non resident tax adjustments	<u>44,381</u>	<u>131,095</u>	<u>127,267</u>
<u>DEFICIT - BEGINNING OF YEAR</u> <u>AS RESTATED</u>	\$(24,965,679)	\$(27,377,140)	\$(30,504,982)
<u>NET INCOME FOR THE YEAR</u>	2,165,331	2,411,461	3,127,842
<u>DIVIDENDS PAID</u> (\$0.25 per share)	(<u>1,792,412</u>)	<u>-</u>	<u>-</u>
<u>DEFICIT - END OF YEAR</u>	\$(24,592,760) =====	\$(24,965,679) =====	\$(27,377,140) =====

See the accompanying notes to the consolidated financial statements.

JAVELIN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS DECEMBER 31, 1985, 1984 AND 1983

(In Canadian Dollars)

	<u>1985</u>	<u>1984</u> (Restated) (Note 16)	<u>1983</u> (Unaudited) (Restated) (Note 16)
<u>REVENUE</u>			
Gross royalties earned on iron ore (Note 15)	\$ 11,434,087	\$ 12,673,491	\$ 10,847,371
Oil and gas sales	3,229,695	2,928,559	1,930,751
Dividends from an associated company (Note 15)	285,888	328,123	263,504
Javelin-Wabush Iron Contract (Note 6)	1,330,648	1,525,229	1,330,959
Interest and other	<u>1,605,426</u>	<u>1,317,136</u>	<u>1,045,783</u>
	\$ <u>17,885,744</u>	\$ <u>18,772,538</u>	\$ <u>15,418,368</u>
<u>COST AND EXPENSES</u>			
Direct cost of royalties earned on iron ore			
Newfoundland mining tax	\$ 1,910,698	\$ 2,119,188	\$ 1,839,203
Newfoundland escalation tax (Note 11)	2,231,042	2,238,922	1,898,092
Royalties to an associated company	1,794,029	1,990,141	1,631,505
Amortization and depreciation	601,773	601,339	601,673
Provision on mineral rights	<u>27,760</u>	<u>40,511</u>	<u>79,023</u>
	\$ <u>6,565,302</u>	\$ <u>6,990,101</u>	\$ <u>6,049,496</u>
Direct cost of oil and gas			
Well operating	\$ 713,181	\$ 627,303	\$ 480,639
Exploration and development	66,886	106,197	104,273
Amortization, depreciation and depletion	256,557	227,400	15,844
Properties sold or abandoned	64,012	173,099	101,081
Petroleum and gas revenue tax	<u>637,155</u>	<u>555,395</u>	<u>400,144</u>
	\$ <u>1,737,791</u>	\$ <u>1,689,394</u>	\$ <u>1,101,981</u>
<u>TOTAL DIRECT COSTS AND EXPENSES</u>	\$ <u>8,303,093</u>	\$ <u>8,679,495</u>	\$ <u>7,151,477</u>
	\$ <u>9,582,651</u>	\$ <u>10,093,043</u>	\$ <u>8,266,891</u>

See the accompanying notes to the consolidated financial statements.

	<u>1985</u>	<u>1984</u> (Restated) (Note 16)	<u>1983</u> (Unaudited) (Restated) (Note 16)
<u>BROUGHT FORWARD</u>	\$ 9,582,651	\$ 10,093,043	\$ 8,266,891
Write off of advances and investments in subsidiaries and associated companies	8,675	100,178	-
Administration and general	2,078,215	2,313,004	2,243,189
Fees and disbursements to the Receiver-manager	<u>456,473</u>	<u>253,269</u>	<u>304,536</u>
<u>INCOME BEFORE INCOME TAXES, MINORITY INTEREST AND EXTRAORDINARY ITEMS</u>	\$ 7,039,288	\$ 7,426,592	\$ 5,719,166
Provision for Income taxes (Note 13)	\$ <u>4,640,884</u>	\$ <u>4,751,048</u>	\$ <u>3,138,920</u>
<u>INCOME BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEMS</u>	\$ 2,398,404	\$ 2,675,544	\$ 2,580,246
Minority interest	(<u>233,073</u>)	(<u>66,660</u>)	(<u>7,404</u>)
<u>INCOME BEFORE EXTRAORDINARY ITEMS</u>	\$ 2,165,331	\$ 2,608,884	\$ 2,572,842
<u>EXTRAORDINARY ITEMS</u>	<u>-</u>	(<u>197,423</u>)	<u>555,000</u>
<u>NET INCOME FOR THE YEAR</u>	\$ 2,165,331 =====	\$ 2,411,461 =====	\$ 3,127,842 =====
<u>INCOME PER SHARE</u>			
Income per share before extraordinary items	\$ 0.302	\$ 0.364	\$ 0.359
Extraordinary items	<u>-</u>	(<u>0.028</u>)	<u>0.077</u>
<u>NET INCOME PER SHARE FOR THE YEAR</u>	\$ 0.302 =====	\$ 0.336 =====	\$ 0.436 =====

See the accompanying notes to the consolidated financial statements.

JAVELIN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1985, 1984 AND 1983
(In Canadian Dollars)

	<u>1985</u>	<u>1984</u> (Restated) (Note 16)	<u>1983</u> (Unaudited) (Restated) (Note 16)
<u>SOURCES OF WORKING CAPITAL</u>			
<u>Operations</u>			
Income before extra-ordinary items	\$ 2,165,331	\$ 2,608,884	\$ 2,572,842
Items not requiring an outlay of funds:			
Amortization, depreciation and depletion	858,330	828,739	617,517
Provision on mineral rights and properties sold or abandoned	91,772	40,511	79,023
Net loss on disposal of fixed assets	-	154,626	93,228
Deferred income tax provision (recovery)	(915,670)	262,790	182,563
Foreign exchange loss on non-current items	35,762	37,514	7,849
Provision on advances and investments to a non-consolidated subsidiary	(49,748)	-	37,770
Minority interest	<u>233,072</u>	<u>66,660</u>	<u>7,404</u>
<u>Provided from Operations</u>	\$ 2,418,849	\$ 3,999,724	\$ 3,598,196
Gain on settlement of debts	-	-	555,000
Javelin-Wabush Iron Contract	180,205	150,780	97,475
Mortgage receivable	4,150	3,660	3,226
Net proceeds from disposal of fixed assets	<u>2,175</u>	<u>18,473</u>	<u>10,537</u>
	\$ <u>2,605,379</u>	\$ <u>4,172,637</u>	\$ <u>4,264,434</u>

See the accompanying notes to the consolidated financial statements.

	<u>1985</u>	<u>1984</u> (Restated) (Note 16)	<u>1983</u> (Unaudited) (Restated) (Note 16)
<u>USES OF WORKING CAPITAL</u>			
Additions to properties mineral rights, leases, permits and concessions including exploration, development and well costs, plant and equipment	\$ 1,004,908	\$ 1,025,450	\$ 19,541
Reduction of advances from minority shareholders	13,347	71,433	13,696
Settlement of a litigation	-	291,387	-
Current portion of deferred income taxes	(1,001,836)	970,090	31,746
Dividends paid	<u>1,792,412</u>	<u>-</u>	<u>-</u>
	\$ <u>1,808,831</u>	\$ <u>2,358,360</u>	\$ <u>64,983</u>
<u>INCREASE IN WORKING CAPITAL</u>	\$ 796,548	\$ 1,814,277	\$ 4,199,451
<u>WORKING CAPITAL (DEFICIENCY)</u> <u>BEGINNING OF YEAR</u>	<u>5,497,536</u>	<u>3,683,259</u>	<u>(516,192)</u>
<u>WORKING CAPITAL -</u> <u>END OF YEAR</u>	\$ <u>6,294,084</u> =====	\$ <u>5,497,536</u> =====	\$ <u>3,683,259</u> =====

See the accompanying notes to the consolidated financial statements.

JAVELIN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1985, 1984 AND 1983
(In Canadian Dollars)

	<u>1985</u>	<u>1984</u> (Restated) (Note 16)	<u>1983</u> (Unaudited) (Restated) (Note 16)
<u>CHANGES IN COMPONENTS OF</u>			
<u>WORKING CAPITAL</u>			
<u>INCREASE (DECREASE) IN CURRENT ASSETS</u>			
Cash	\$(454,424)	\$(460,350)	\$ 1,734,412
Marketable securities	4,169,960	7,992,731	927,366
Royalties and other receivables	(2,020,669)	815,008	2,028,679
Receivable from the Government of Newfoundland	442,546	449,171	267,616
Income taxes receivable	(3,484,390)	883,513	(614,980)
Deposits and prepaid expenses	(191,536)	112,124	(521,572)
<u>INCREASE (DECREASE)</u> <u>IN CURRENT ASSETS</u>	\$(1,538,513)	\$ 9,792,197	\$ 3,821,521
<u>(INCREASE) DECREASE IN CURRENT LIABILITIES</u>			
Accounts payable	\$(165,807)	\$(386,199)	\$ 1,245,974
Amounts claimed by the Government of Newfoundland	(2,017,338)	(1,624,178)	(836,298)
Income taxes payable	3,516,370	(4,997,453)	-
Deferred income taxes	1,001,836	(970,090)	(31,746)
<u>(INCREASE) DECREASE IN</u> <u>CURRENT LIABILITIES</u>	\$ 2,335,061	\$(7,977,920)	\$ 377,930
<u>INCREASE IN WORKING CAPITAL</u>	\$ 796,548 =====	\$ 1,814,277 =====	\$ 4,199,451 =====

See the accompanying notes to the consolidated financial statements.

JAVELIN INTERNATIONAL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1985

(Figures as at December 31, 1983 and for the year
then ended are unaudited)

(All amounts stated herein are in Canadian dollars unless
otherwise indicated)

1 Appointment of a Receiver-manager by the Superior Court of the
District of Montreal and the judgement of February 27, 1986

On April 7, 1982, following an application presented in January 1982 by Inversiones Monforte S.A., the Superior Court of the District of Montreal, appointed Michel Robert, Q.C. as Receiver-manager of the Company's affairs pursuant to Section 234 of the Canada Business Corporations Act (the "Corporations Act"), for 24 months commencing on the date of the order. The Superior Court also suspended the directors' powers and certain contracts and payments involving the Company and/or all subsidiaries controlled by John C. Doyle and/or Mr. Doyle. The order specifies that the expenses and costs of the Receiver-manager will be paid by the Company in the amounts approved by the Superior Court.

On March 30, 1984, the Quebec Superior Court extended the term of the Receiver-manager until April 30, 1985, upon the application of the Director of Corporations of the Canadian Government Consumer and Corporate Affairs Department. On April 19, 1985, the Quebec Superior Court extended the term of the Receiver-manager until August 3, 1985, and on June 19, 1985, the Quebec Superior Court further extended the term of the Receiver-manager until April 30, 1986.

On February 27, 1986, the Quebec Superior Court rendered a judgement disposing of several pending applications concerning the Company, which applications were filed by the Director appointed under the Canada Business Corporations Act and certain of the Company's shareholders. The Director's application requested, among other things, the annulment of certain agreements between the Company, Mr. Doyle and other parties, an order for Mr. Doyle to pay to the Company \$16,742,461 as compensation for certain frauds and damages allegedly committed against the Company and its shareholders by Mr. Doyle and the cancellation of Mr. Doyle's common shares of the Company. A shareholder's application requested, among other things, the holding of a shareholders' meeting at which the shareholders would act on resolutions providing for either the distribution of all of the Company's net income after taxes as semiannual dividends to the shareholders, or the election of five directors of the Company who would carry on the Company's affairs, and also requested the discharge of the Receiver-manager. Another

shareholder's application also requested the calling of a shareholders' meeting and the election of a board of directors which would carry on the Company's business.

The Court annulled retroactively the consulting contracts between the Company, certain of its subsidiaries, and Mr. Doyle, and contracts entered into by the Company as a consequence of the submission to arbitration of the claims of Mr. Doyle made before Christopher Honeyman Brown, and the arbitration award rendered by him in 1978; and all assignments by which the Company transferred its right to receive royalties and other sums from Wabush Mines to Pavonia S.A., to the Banque Nationale de Paris in Panama, or to Revenue Canada for payment of Mr. Doyle's income taxes.

The Court also ordered Mr. Doyle to pay to the Company \$15,419,382 as damages under the consulting contracts, as reimbursement for fees and other remuneration paid to him or for his benefit thereunder, and as compensation for the money allegedly appropriated by him from a subsidiary of the Company. The Court also condemned Mr. Doyle to pay the Company interest at the legal rate on the said sum, from March 28, 1984.

The Court ordered the cancellation of 1,064,766 of the Company's shares registered in Mr. Doyle's name for which he shall be credited at a rate of \$4.50 per cancelled share, so that the amounts to be so credited shall be retained by the Company as partial compensation for the \$15,419,382 sum that Mr. Doyle is ordered to pay to the Company. In addition, the Court ordered that the \$0.25 per share dividend payable on December 11, 1985 by the Company with respect to Mr. Doyle's shares, be applied by the Company as partial payment of the \$15,419,382 condemnation. The cancelled shares shall be considered to have been redeemed upon delivery by the Receiver-manager or by order of the board of directors to the transfer agent of the Company of an instruction confirming that the order is final. No such cancellation instruction was given with respect to 55,250 of the 1,064,766 shares until a final judgment has been rendered determining the ownership of these 55,250 shares.

The Court further ordered that a trial shall take place to determine whether Her Majesty in right of Canada benefits from any priority right for payment of income taxes due by Mr. Doyle by reason of the seizure by way of Writ of Extent of his shares of the Company; whether Mr. Doyle is the beneficial owner of the capital stock of Kanara S.A., Luanda S.A., Seriedad S.A., Vilamar S.A. and Pole Investments Inc., and whether the shares of the Company registered in the names of the foregoing corporations should be cancelled. The Court ordered that until a final judgment has been rendered with respect to the issues to be tried in relation to these corporations, the shares of the Company registered in the names of Kanara S.A., Luanda S.A., Seriedad S.A., Vilamar S.A. and Pole Investments Inc. shall be under seizure, and no transfer or disposition of them shall take place and no one shall be entitled to any voting rights with respect to them.

The Court extended until June 30, 1986 the term of the Receiver-manager, subject to extension or reduction on application by any interested person should the circumstances warrant.

The Court also removed from office the Company's directors and ordered the amendment of the Company's articles of association and by-laws so as to reduce the number of directors to seven. Furthermore, the Court ordered that a meeting of the Company shareholders be held not later than June 30, 1986 in Montreal, as determined by the Receiver-manager, who shall preside at the meeting. The business to be transacted at the meeting shall be (a) the consideration of the Company's financial statements as at December 31, 1985 and the report of the Company's auditors; (b) the appointment of the Company's auditors; (c) the election of three members of the Company's board of directors, to hold office until re-elected or replaced at the annual general meeting of the shareholders to be held in 1987; and (d) any other business to be properly brought before the meeting.

The Court declared it would appoint the other four directors, after hearing on April 10, 1986 proposals by any interested party, and that such directors will hold office until re-elected or replaced at the 1987 annual general shareholders' meeting.

The Court further stated that the Company's directors will be empowered to carry on the Company's business and affairs as fully as provided by law and the Company's by-laws, except that until election of the Company's board of directors at the 1987 annual general shareholders' meeting any director or other interested party can apply for the Court's directions with respect to any matter where the directors are in disagreement, and the Court's decision, if it intervenes, will govern the matter.

The Court appointed Mr. Robert to act as a special consultant to the Company's board of directors for the first six months after the expiry of his appointment as Receiver-manager, so as to assist the Company's directors and employees in the performance of their duties during the transition period.

The Court also ordered provisional execution, notwithstanding any appeal, of all of the orders contained in its judgment except for the order condemning Mr Doyle to pay the Company \$15,419,382 with interest, and the order cancelling his shares in the Company, with the exception that until the cancellation they shall be deemed to be under seizure, no transfer or disposition of them shall take place and no one shall be entitled to any voting rights with respect to them at any shareholders' meeting.

Principles of consolidation

The consolidated financial statements include the accounts of Javelin International Limited and all of its subsidiaries, except Pavonia, S.A. and its subsidiaries (Note 14(j)) and Bison Brewing Company Limited.

3 Accounting policies

(a) Short Term Investments

Marketable securities are recorded at the lower of cost and market value. Interest income is recorded on an accrual basis, dividend income is recorded as received.

(b) Javelin-Wabush Iron Contract

Future receipts on the balance of the sale price of 10% of the capital stock of Wabush Lake Railway Company Limited and 10% of the capital stock of Wabush Iron Company Limited are reflected as an asset at their present value, calculated on the remaining minimum payments receivable discounted at 5% per annum (Note 6).

(c) Advances to, and investments in a non-consolidated subsidiary and associated companies

Potential losses on advances to and investments in a non-consolidated subsidiary and associated companies are provided for as and when required.

(d) Properties, mineral rights, leases, permits and concessions including exploration and development costs, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation calculated primarily on the declining balance method at various rates.

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

Unamortized expenses on mineral leases of the Wabush project are being amortized on the straight-line basis over 25 years at the rate of \$600,597 per annum.

The Company follows the successful efforts method of accounting for its oil and gas activities. Lease acquisition costs and the costs of drilling and equipping successful wells are capitalized. Geological, geophysical and lease carrying costs are expensed as incurred. The costs of dry holes are expensed at the time of abandonment.

The costs of producing property are depleted and depreciated on the unit-of-production method using proved developed reserves.

The acquisition costs of non-producing property are deferred until such time as the properties are placed into production, sold or abandoned.

(e) 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 (Note 17).

4 Royalties and other receivables

	<u>1985</u>	<u>1984</u> (Restated) (Note 16)
Royalties from Wabush Mine (Note 15)	\$ 2,215,518	\$ 2,485,412
Javelin-Wabush Iron Contract (Note 6)	1,510,853	1,676,009
Dividend - Knoll Lake Minerals recorded on the accrual basis (Note 15)	193,161	167,612
Interest on income tax	-	1,522,547
Other receivables including trade	<u>627,433</u>	<u>716,054</u>
	\$ 4,546,965 =====	\$ 6,567,634 =====

5 Receivable from the Government of Newfoundland

In 1983, 1984 and 1985, the Government of Newfoundland assessed the Company for the years 1975 to 1984, under the Mining and Mineral Rights Tax Act, allowing expenses in reduction of the taxable income as previously claimed by the Company.

The Government of Newfoundland has applied the said refund against the escalation tax on royalties allegedly due by the Company pursuant to the Government Javelin Taxation (Confirmation of Agreement) Act of 1959 as amended (Note 12). The Company has contested this unilateral compensation of the amounts assessed.

The Company records as a receivable the refund resulting from these assessment notices and a provision for refund for the period not yet assessed.

6 Receivable under the Javelin-Wabush Iron Contract - Net of unamortized valuation discount

An amount resulting from the sale to Wabush Iron Company Limited of 10% of the capital stock of Wabush Lake Railway Company Limited and 10% of the capital stock of Wabush Iron Company Limited on January 30, 1959 is payable as iron ore is shipped from the Wabush leased premises at varying rates. Such amounts should not be less than \$275,000 per year. As at December 31, 1985, the balance receivable under this agreement was \$11,108,204. (December 31, 1984 - \$12,619,057).

If the Wabush lease is cancelled by Wabush Iron Company Limited, as it may do on 60 days' notice, no further payments thereon need be made, but the mining lease must be surrendered to the Company, and if Wabush Iron Company Limited defaults in making the required payment of any instalment, when due, and which default shall not be remedied within 60 days of notice of default, it must also surrender to the Company the title to, and possession of, all its buildings, plant and machinery on the leased premises.

During the year ended December 31, 1977, the Company included in its income for the year the profit on the sale of capital stock, calculated on the remaining minimum payments receivable discounted at 5% per annum. At December 31, 1985, the present value of annual minimum payments calculated on the same basis amounted to \$4,733,604. (December 31, 1984 - \$4,913,809).

7 Balance due re: sale of the Linerboard Project

The balance of \$3,779,334 excluding interest is in addition to the \$6,600,000 already received from the Government of Newfoundland which results from the sale of the Linerboard Mill Project at Stephenville and associated wood harvesting operations in Goose Bay (Note 14(c)). In the Receiver-manager's opinion, the claim is meritorious, but because there is no assurance that the Company will recover the full amount, it has accordingly provided a \$700,000 allowance for possible uncollectability of the account.

On April 30, 1982, the Company instituted proceedings in the Trial Division of the Supreme Court of Newfoundland claiming the amount of \$1,272,367 regarding issues which are not included in the claim presently pending before the arbitration board. This additional amount has not been recorded in the financial statements.

8 Compensation receivable - Julienne Lake

In 1960, the Company leased properties at Julienne Lake in Labrador for a period of 99 years. In 1975, the Government of Newfoundland passed an act to provide for the reversion of these properties to the Province for a maximum compensation of \$750,000 (Note 14(b)).

The Company's investment in these properties amounted to \$3,549,271. Due to the uncertainty of the Company realizing its investment of \$3,549,271 in the Julienne Lake property, an allowance of \$2,799,271 was provided for, being the difference between the investment in these properties and the maximum amount of the consideration provided for in the Reversion Act.

9 Mortgage receivable

The mortgage bears interest at 13% per annum and is receivable in equal blended monthly instalments of \$5,049. The balance of the mortgage matures in 1988.

10 Advances to and investments in a non-consolidated subsidiary and associated companies

Advances to and investments in a non-consolidated subsidiary and associated companies, net of provisions, are as follows:

	<u>1985</u>	<u>1984</u>
Non-consolidated subsidiary		
Pavonia, S.A.	\$ 1	\$ 1
Associated Companies		
Knoll Lake Minerals Limited	4,263	4,263
Dominion Jubilee Corporation Limited	1	1
Jubilee Quebec Holdings Limited	1	1
Norlex Mines Limited	1	1
	<u>4,267</u>	<u>4,267</u>
	=====	=====

11 Properties, mineral rights, leases, permits and concessions including exploration, development and well costs, plant and equipment

	<u>1985</u>	<u>1984</u>
Producing properties oil and gas	\$ 1,854,583	\$ 1,278,290
Production and other equipment	<u>1,266,068</u>	<u>901,217</u>
	\$ 3,120,651	\$ 2,179,507
Less accumulated depreciation and depletion	(<u>1,401,443</u>)	(<u>1,160,600</u>)
	\$ 1,719,208	\$ 1,018,907
Non-producing properties - oil and gas	309,538	355,834
Mineral rights, leases, permits and concessions including exploration and development costs - net	<u>2,895,506</u>	<u>3,496,880</u>
	\$ 4,924,252	\$ 4,871,621
	=====	=====

12 Amounts claimed by the Government of Newfoundland - Escalation tax on royalties

Under the Government Javelin Taxation (Confirmation of Agreement) Act of 1959 as amended, the Government of Newfoundland is claiming an escalation tax on shipments of iron ore concentrate computed from the Lake Erie market price. The rate was \$0.372878 per ton for the year ended December 31, 1985 and 1984 and \$0.39637 per ton in 1983.

The Company contested the validity and applicability of this tax in the Trial Division of the Supreme Court of Newfoundland and a decision was rendered against the Company. The Company appealed the decision in 1982 in the Appeal Division of the Supreme Court of Newfoundland. The Company's appeal of the decision was denied in March 1986 and the Company is considering making an application for leave to appeal to the Supreme Court of Canada (Note 14(d)). This tax has been recorded in the financial statements.

As mentioned in Note 15, the Lake Erie price of Old Range Non-Bessemer ore has ceased to be published. The amounts of escalation tax accrued by the Company for the year ended December 31, 1985 have been estimated using the published price of the Mesabi Non-Bessemer ore.

Income taxes

During 1984, the Company reached an agreement with Revenue Canada settling all outstanding litigation concerning federal income taxes for the years 1970 to 1982. New assessments were received in February 1985 from Revenue Canada reflecting the agreement reached in 1984 and resulting in reduction of the federal tax liability of \$8,409,007 for the years in question, which includes a reduction of previous interest charges as well as interest on the refund.

Provincial income taxes receivable from the Province of Quebec have been estimated on the assumption that the Quebec authorities will concur with the changes made by Revenue Canada.

New assessments for the years 1975 to 1979 have been received from the Ministère du Revenu du Québec and other assessments are expected for the years 1980 and following. It is expected that these will reflect a decrease in taxes and interest of approximately \$950,000 for the same period.

In February 1986, one of the Company's subsidiaries received correspondence from Revenue Canada outlining a proposed reassessment for the 1981 to 1984 fiscal years. According to the proposed reassessment, the estimated additional current tax liability and interest thereon for 1981 to 1984 would be approximately \$400,000. The nature of certain proposed adjustments affects the timing of amounts claimed, disallowing them in 1981 to 1984 but entitling the subsidiary to future deductions. The affect of these timing adjustments would be to reduce the subsidiary's deferred tax liability by approximately \$275,000. Applying Revenue Canada's proposals to the current year would increase the current income tax liability for 1985 by approximately \$75,000 and decrease the deferred tax liability by approximately \$75,000. The proposed reassessment involves complex income tax legislation which is subject to interpretation. This subsidiary has not yet completed its review of the proposed reassessment but at this time does not agree with the interpretations of Revenue Canada. The subsidiary intends to appeal any reassessment that is eventually issued. As the amount of liability, if any, resulting from reassessment and appeal procedures cannot be reasonably estimated at this time, no additional liability has been recorded in the financial statements for any of the years 1981 to 1985.

A reconciliation of income taxes calculated at applicable statutory rates in Canada is as follows:

	<u>1985</u>	<u>1984</u> (Restated) (Note 16)	<u>1983</u> (Unaudited) (Restated) (Note 16)
Income before income taxes, minority interest and extraordinary items	\$ 7,039,288 =====	\$ 7,426,592 =====	\$ 5,719,166 =====
Computed taxes at statutory rates	3,554,998	\$ 3,734,657	\$ 2,395,328
Increase (decrease) in taxes			
Non-deductible			
Newfoundland escalation taxes	1,113,290	1,097,077	787,708
Newfoundland mining taxes	953,438	1,038,402	763,269
Crown royalties	292,900	268,300	257,400
Amortization and depreciation	300,285	294,656	249,963
Amortization of the Javelin-Wabush iron contract	89,922	73,882	40,452
Interest expense	99,922	23,586	45,169
Non Taxable dividends	(142,658)	(162,421)	(111,462)
Tax deductible			
Resource allowance	(1,687,164)	(1,777,315)	(1,296,400)
Other - net	<u>65,951</u>	<u>160,224</u>	<u>7,493</u>
Provision for income taxes	\$ 4,640,884 =====	\$ 4,751,048 =====	\$ 3,138,920 =====

14 Contingent liabilities, litigation and other matters

(a) Securities and Exchange Commission ("SEC") v. Javelin International Limited et al

In 1974, a permanent injunction was issued by a U.S. District Court in settlement of an action instituted in 1973 by the SEC against the Company, John C. Doyle and William M. Wismer. The judgment enjoins the Company from violating section 17(a) of the Securities Act of 1933 and section 10(b) of the Securities Exchange Act of 1934. The judgment also contains provisions concerning the independence of the directors, and the maintenance of a compliance committee responsible to verify the information to be disclosed to the public and the SEC, an information officer and a special counsel to the committee. In 1979, the U.S. District Court issued another injunction against the Company enjoining it from filing late reports with the SEC. The Company consented to the issuance of these two orders, without admitting or denying the SEC's allegations.

In March 1983, as requested by the Receiver-manager, the U.S. District Court issued an order amending the 1974 judgment for the duration of the Receiver-manager's appointment. The amendment suspends the requirements concerning the election of outside independent directors, the maintaining of a compliance committee and the appointment of a public information officer and special counsel to the compliance committee, and requires the Receiver-manager to perform the responsibilities of the compliance committee and public information officer. Upon the termination of the Receiver-manager's appointment the amendment to the 1974 judgment will be null and void and the 1974 judgment will be in all respects as entered in July 1974 (unless amended). The amendment also provides that the Company shall promptly notify the SEC of any application to modify the April 7, 1982 order and that, upon the SEC's objection to such modification within 15 days, all provisions of the 1974 judgment as entered in July 1974 shall be automatically reinstated.

(b) Legal contestation of the validity of the Reversion Act

In 1960, the Company leased from NALCO properties extending over 1.29 square miles in the Julienne Lake area in Labrador for a period of 99 years.

In 1975, the Newfoundland Legislature adopted an act to provide for the reversion to the Province of certain mineral lands in Labrador known as the Julienne Lake Deposit and comprising approximately 1.29 square miles (The "Reversion Act"). This law provided for the repossession of these properties by the Government of Newfoundland in exchange for a maximum compensation of \$750,000. The amounts invested by the Company in these properties totalled \$3,549,271.

In 1978, the Company instituted an action seeking to have the Reversion Act declared unconstitutional by the Supreme Court of Newfoundland and to force the Government of Newfoundland to respect its obligations regarding the Julienne Lake Deposit. This action is still pending.

(c) The Linerboard Project

In 1972, the Government of Newfoundland acquired the assets of a paper mill project at Stephenville, Newfoundland, and the associated wood harvesting operations in Goose Bay Labrador. The Government of Newfoundland has already paid the sum of \$6,600,000 to the Company and its subsidiaries. In addition, the Company is claiming the sum of \$3,779,334 plus interest from the Government of Newfoundland, under the acquisition contract which provides for arbitration as the means of resolving certain disagreements over the amounts to be paid. The additional amount claimed is related to expenses and advances made by the Company in connection with the project. The Government of Newfoundland has

until now claimed that these expenses and advances were not reasonably necessary, or that they were excluded from the contract. The arbitration hearings were commenced in 1979 and are still in progress.

In the Receiver-manager's opinion, the claim is meritorious, but as there is no assurance that the Company will recover the full amount, it has accordingly provided a \$700,000 allowance for possible uncollectability of the account.

In April 1982, the Company instituted proceedings in the Trial Division of the Supreme Court of Newfoundland claiming the amount of \$1,272,367 regarding issues which are not included in the claim currently pending before the arbitration board. This additional amount has not been recorded as a receivable.

(d) The Government of Newfoundland v. Javelin International Limited

In 1979, Newfoundland brought an action against the Company in the Supreme Court of Newfoundland seeking royalties aggregating \$2,577,788 for 1976, 1977 and 1978, under The Government Javelin Taxation (Confirmation of Agreement) (Amendment) Act, 1960 (the "1960 Act"), with respect to shipments of iron ore concentrates from the Wabush Lake Mine during such years. In 1982, the Court rendered a judgment against the Company for the royalties of \$2,577,788. The Company had appealed the judgment and in March 1986, the Company's appeal of the decision was denied and the Company is considering making an application for leave to appeal to the Supreme Court of Canada.

In 1982, Newfoundland brought an action against the Company in the Supreme Court of Newfoundland seeking royalties of \$4,782,165 for 1979 through 1981. In December 1985, Newfoundland filed a lawsuit against the Company in the Supreme Court of Newfoundland seeking royalties of \$4,971,692 for 1982, 1983 and 1984. The Company is contesting this action. Newfoundland has also demanded additional royalties aggregating \$2,017,838 for 1985.

In separate actions, the Company sought a declaration that The Mining and Mineral Rights Tax Act, 1975, of Newfoundland, (the "1975 Act") was invalid and an order for the reimbursement of all sums paid as a result of the imposition of the 20% tax under the 1975 Act. In 1982, the Supreme Court of Canada held that the 1975 Act was constitutional and that the amounts payable thereunder constituted direct taxation in the nature of income taxes. The Company has filed tax returns for the years 1975 through 1984 under the 1975 Act, claiming significant deductions and credits. In 1981 Newfoundland amended the 1975 Act to eliminate retroactively to 1975 the Company's claims for deductions of amounts the Company expended primarily for development of the Wabush Lake Mine prior to the enactment of the 1975 Act. Newfoundland made several reassessments with respect to the Company's tax obligations for the years 1975 to 1984, resulting in a refund to the Company in the amount of \$3,640,008.

Newfoundland has informed the Company that it has unilaterally applied such refund towards the sums alleged by Newfoundland to be owed by the Company under the 1960 Act. In November 1984, the Company filed an action and a Petition in the Trial Division of the Supreme Court of Newfoundland, seeking a declaration that the Company is either subject to payments under the 1960 Act or to payment of royalties under the 1975 Act but not both, and claiming, in the alternative, damages and repayment, of the amounts paid under the 1960 Act or those deducted under the 1975 Act in the amount of \$30,000,000 or those amounts assessed and collected by the Government.

The Company has provided for the amounts claimed by Newfoundland which is reflected as a liability. The amount claimed by the Company in the amount of \$30,000,000 has not been recognized in the financial statements.

(e) MacPherson v. Javelin International Limited

In 1976, a former director and officer of a subsidiary of the Company brought an action in the Superior Court of the District of Montreal, seeking \$336,713 in damages for loss of office. In 1982, the Court awarded the plaintiff \$79,960 plus interest and the sum of \$1,000 per month for 149 months, commencing on April 1, 1982. The Company has filed an appeal in the Court of Appeal of Quebec. This appeal is still pending. No amount has been provided in the financial statements.

(f) Revenue Canada - John C. Doyle

To secure an amount claimed by the Canadian Department of National Revenue (Revenue Canada) from John C. Doyle, Pavonia S.A. assigned to Revenue Canada in 1979 sufficient amounts from its rights to receive from Wabush Mines the payments (previously assigned by the Company to Pavonia) arising under the Javelin-Wabush Iron Contract. As of January 1982, the balance claimed by Revenue Canada from Mr. Doyle was approximately \$339,376. Since the appointment of the Receiver-manager in April 1982, no payments have been made to Revenue Canada. This assignment has been annulled by the judgement described in Note 1.

(g) Claims by Pavonia S.A.

By letter dated August 5, 1982, to Javelin, someone purporting to act on Pavonia's behalf claimed a total amount of U.S. \$30,069,856. The letter claimed that Pavonia's total direct losses due to Javelin's failure to pay various alleged commitments, amount to U.S. \$10,234,640. A payment to Pole Investments Limited for principal amount of CDN. \$500,000 for

debentures issued by Javelin and guaranteed by Pavonia, and accrued interest and legal fees for the total amount of U.S. \$511,413 was included in the claim by Pavonia. The letter further alleged losses to Pavonia of U.S. \$9,927,116 arising from the necessity, resulting from Javelin's alleged failure, to pay the specified commitments of abandoning or writing off Pavonia's investments and advances to subsidiaries for the exploration and development of its mineral properties, and losses of U.S. \$9,908,100 from the loss to Pavonia of future tax-free bond income and loss of business opportunities. The Receiver-manager believes that these claims are without merit and will contest any such claims if pursued by Pavonia.

(h) Consulting contract - John C. Doyle

Under a 1975 consulting contract with John C. Doyle, guaranteed by the Company and Pavonia S.A., Javelin Export Limited, a subsidiary, 'is obliged to pay U.S. \$209,000 per year to Mr. Doyle, through to March, 1985. The Company has not recorded any amount for this contract in its financial statements as the contract was annulled by the judgement described in Note 1.

(i) Assignment of royalties - Banque Nationale de Paris (Panama)

As of December 31, 1981, Pavonia had a long-term loan payable to the Banque Nationale de Paris (Panama) for an amount of \$3,457,078. This loan was guaranteed by an assignment of royalties from Wabush Mines which has since been annulled by the judgement described in Note 1.

In the letter dated August 5, 1982, this loan was purported to have been repaid by Pavonia and is included in the amount claimed by Pavonia (Note 14(g)).

(j) Control of Pavonia S.A.

In August 1982, Javelin Export (Panama) Inc. ("Export"), not an affiliate of the Company, brought an action in Panama City, Panama, against the Company, seeking approximately U.S. \$605,000 allegedly based on an assignment by a Pavonia subsidiary of a U.S. \$605,000 claim against the Company for the payments made on the Company's behalf, by Javelin Export Limited, an affiliate, to Mr. Doyle under a consultancy agreement and for other services. On May 30, 1983, the Court issued a default judgment against the Company for U.S. \$405,000, which it increased to U.S. \$714,000 in July 1983. Subsequently, Export sought to collect the judgment by a judicial sale before the Panamanian Court, of Pavonia's

capital stock held by the Company. In February 1984, the Court issued an order that Export was the purchaser of Pavonia's capital stock for U.S. \$714,000 in satisfaction of the default judgment. Export was the only bidder in the sale. The company asked the Court to review its decision and revoke the sale. The Court granted the petition of the Company and the sale was revoked. Export appealed the decision before the Court of Appeal and the appeal was granted and the sale was confirmed. On the same date the Company filed an action against Export in Panama City seeking a nullification of Export's action and award against the Company, and the Pavonia shares were sequestered by the Court so that they would not be delivered to Export pending a resolution of the action. Export has contested the Company's Receiver-manager's authority to institute legal proceedings in Panama against third parties on the Company's behalf. Export's contestation of the appeal was dismissed by the Court. Export appealed that decision and the appeal was dismissed. This action is pending.

In February 1984, the District Attorney of Panama ("Siscal de Circuito"), petitioned a Court in Panama City to place Pavonia's assets under the administration of a court-appointed curator, under Panama's commercial code. Such action was requested by the Company, in accordance with a recommendation of the Restrictive Trade Practice Commission of Canada, and was authorized by the Quebec Superior Court in November 1983. An attorney in Panama City filed a petition with the Court requesting the Court not to grant the District Attorney's petition alleging, among other things, that the Company is not Pavonia's sole shareholder. Upon the District Attorney's request the Court appointed two public accountants to verify the facts alleged by the District Attorney. Pavonia's Attorney has filed a writ claiming that Pavonia's constitutional rights had been violated. The writ was dismissed by the Court of Appeal and such decision was appealed to the Panama Supreme Court, in which the appeal was dismissed. This action is still pending.

(k) Newfoundland Impost Act

The government of Newfoundland, in September 1984, assessed Newfoundland and Labrador Corporation Limited the sum of \$413,655 pursuant to the provisions of the Mineral Holdings Impost Act S.N. 1978, Chapter 14.

The Company appealed the assessment before the Mining Tax Review Board and in November 1985, the Mining Tax Review Board allowed the appeal and annulled the assessment notice dated October 3rd, 1984.

In December 1985, the government of Newfoundland appealed from the decision of the Mining Tax Review Board before the Supreme Court of Newfoundland, trial division, on questions of law and the appeal is presently pending.

15 Royalties

The Company receives royalties from Wabush Mines on iron ore shipped. These royalties are not to be less than \$3,250,000 annually.

Up to December 31, 1983, rates used to calculate these royalties were based on the published Lake Erie price of Old Range Non-Bessemer ore. In January 1984, the Lake Erie price of Old Range Non-Bessemer ore ceased to be published. Wabush Mines is of the opinion that the disappearance of this published price does not frustrate the agreement.

For the year ended December 31, 1985, the Company received royalties varying between \$2.03017 and \$2.05005 per ton (2.03097 and 2.05355 for the year ended December 31, 1984) as calculated by Wabush Mines based on the published price of the Mesabi Non-Bessemer ore which according to them is equivalent to the former Lake Erie price of Old Range Non-Bessemer ore.

The Company does not accept the computation of the royalty rate based on the published price of the Mesabi Non-Bessemer ore and is negotiating with Wabush Mines to review the interpretation or the application of the agreement. The Company has recorded income based on this rate.

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

Knoll Lake Minerals Limited annually pays dividends equal to royalties received less expenses and income taxes. These dividends are recorded on the accrual basis.

16 Restatement of prior period adjustments and corrections

The Company's financial statements for the years 1984 and 1983 have been retroactively adjusted for:

- (a) The settlement and agreement for all income tax litigations (Note 13).
- (b) The Company settled a non resident tax dispute with Revenue Canada whereby the Company has recovered taxes previously recorded.
- (c) Correction of convertible debentures payable (Note 14(g)).
- (d) The Newfoundland escalation taxes have been corrected in the applicable years to reflect the necessary adjustment required for the Company to calculate the taxes on the same basis as that used by Newfoundland and also to recognize as a prepaid expense the applicable escalation taxes on the stock pile of unshipped iron pellets.

17 Differences in application of United States and Canadian Generally Accepted Accounting Principles (U.S. GAAP and CDN. GAAP)

(a) Net Income reconciliations

	<u>1985</u>	<u>1984</u> (Restated) (Note 16)	<u>1983</u> (Unaudited) (Restated) (Note 16)
Income before extra-ordinary items per statement of income as determined in accordance with CDN. GAAP	\$ 2,165,331	\$ 2,608,884	\$ 2,572,842
Add (Deduct):			
Settlement of income tax litigation including interest and income tax treated as prior year's adjustment under CDN. GAAP (Note 13)	294,649	1,334,985	-
Adjustment in respect of deferred liability under individual retirement agreements	<u>-</u>	<u>-</u>	<u>8,508</u>
Income before extra-ordinary items as determined in accordance with U.S. GAAP	\$ 2,459,980	\$ 3,943,869	\$ 2,581,350
Settlement of debts	-	-	555,000
Loss on settlement of litigation	-	(291,387)	-
Gain on write off of advances from non-consolidated sub sidiaries treated as an extraordinary items under CDN. GAAP	<u>-</u>	<u>93,964</u>	<u>-</u>
Net income as determined in accordance with U.S. GAAP	\$ 2,459,980 =====	\$ 3,746,446 =====	\$ 3,136,350 =====

Income per share (per U.S. GAAP)

Income per share before extraordinary items	\$0.343	\$0.550	\$0.360
Extraordinary items	<u>-</u>	<u>(0.027)</u>	<u>0.077</u>
Net income per share	\$0.343 =====	\$0.523 =====	\$0.437 =====

(b) Reconciliation of deficit

Deficit per statement of deficit as at December 31, 1982 in accordance with CDN. GAAP as restated (Note 16)		\$(30,504,982)
(Add) Deduct,		
Decrease in parent company's interest in its subsidiary arising from issuance of capital stock by the subsidiary in 1973 (Note 17(c))		(419,350)
Liability under individual retirement agreement entered into before December 31, 1981 recorded under U.S. GAAP (Note 17(d))		(<u>338,765</u>)
Deficit as at December 31, 1982 in accordance with U.S. GAAP		\$(31,263,097)
Net income for 1983 in accordance with U.S. GAAP		<u>3,136,350</u>
Deficit as at December 31, 1983 in accordance with U.S. GAAP		\$(28,126,747)
Settlement of income tax litigation with Revenue Canada and the province of Quebec treated as prior years adjustment under CDN. GAAP (Note 13)		(1,334,985)
Termination of liability under individual retirement agreement (Note 17(d))		330,257
Net income for 1984 in accordance with U.S. GAAP		<u>3,746,446</u>
Deficit as at December 31, 1984 in accordance with U.S. GAAP		\$(25,385,029)
Settlement of income tax litigation with Revenue Canada and the province of Quebec treated as prior period adjustment under CDN. GAAP (Note 13)		(294,649)
Dividends paid in 1985		(1,792,412)
Net income for 1985 in accordance with U.S. GAAP		<u>2,459,980</u>
Deficit as at December 31, 1985 in accordance with U.S. GAAP		\$(25,012,110) =====

- (c) In 1973, a Company's subsidiary issued capital stock to retire a debt. The resulting effect to the change of the Company'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 GAAP in Canada.

In accordance with United States GAAP, 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 United States GAAP 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 GAAP 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 GAAP 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 GAAP in Canada, the retirement agreement may be accounted for as a commitment and the compensation under agreement would be considered an expense when paid. The individual retirement agreement was terminated through litigation during 1984 and recorded as an expense in the financial statements.

18 Segmented information

The Company's classes of business (principal segments by source of income) are:

- Iron ore royalties
- Oil and gas sales
- Javelin-Wabush iron contract
- Dividends, interest and other

The Company's principal activities are conducted in Canada, therefore no segmented information was provided by geographical location.

Segments by source of income for the years ended December 31,
1985, 1984 and 1983

		<u>1985</u>
	<u>Gross Revenue</u>	<u>Operating Profit</u>
Iron ore royalties	\$ 11,434,087	\$ 4,868,785
Oil and gas sales	3,229,695	1,491,904
Javelin-Wabush iron contract	1,330,648	1,330,648
Dividends, interest and other	<u>1,891,314</u>	<u>1,891,314</u>
	\$ <u>17,885,744</u>	\$ <u>9,582,651</u>
Less common charges:		
Administration and general		2,078,215
Fees and disbursements to the		
Receiver-manager		456,473
Investments and advances written off		<u>8,675</u>
		\$ <u>2,543,363</u>
Income before income taxes and minority interest		\$ 7,039,288 =====
	<u>Identifiable assets</u>	<u>Amortization, depreciation and depletion</u>
Iron ore royalties	\$ 4,760,693	\$600,597
Oil and gas sales	2,638,910	256,557
Javelin-Wabush iron contract	6,244,457	-
Dividends, interest and other	<u>15,660,004</u>	<u>-</u>
	\$29,304,064	\$857,154
Assets identifiable with no specific source of income	<u>8,630,044</u>	<u>1,176</u>
	\$37,934,108 =====	\$858,330 =====

	1984 (Restated) (Note 16)	
	<u>Gross Revenue</u>	<u>Operating Profit</u>
Iron ore royalties	\$ 12,673,491	\$ 5,683,390
Oil and gas sales	2,928,559	1,239,165
Javelin-Wabush iron contract	1,525,229	1,525,229
Dividends, interest and other	<u>1,645,259</u>	<u>1,645,259</u>
	\$ <u>18,772,538</u>	\$ <u>10,093,043</u>
Less common charges:		
Administration and general		2,313,004
Fees and disbursements to the		
Receiver-manager		253,269
Investments and advances		
written off		<u>100,178</u>
		\$ <u>2,666,451</u>
Income before income taxes, minority interest and extraordinary items		\$ 7,426,592 =====

	<u>Identifiable assets</u>	<u>Amortization, depreciation and depletion</u>
Iron ore royalties	\$ 5,648,343	\$600,597
Oil and gas sales	1,706,881	227,400
Javelin-Wabush iron contract	6,589,818	-
Dividends, interest and other	<u>11,995,956</u>	<u>-</u>
	\$25,940,998	\$827,997
Assets identifiable with no specific source of income	<u>13,663,347</u>	<u>742</u>
	\$39,604,345 =====	\$828,739 =====

	1983 (Unaudited) (Restated) (Note 16)	
	Gross Revenue	Operating Profit
Iron ore royalties	\$ 10,847,371	\$ 4,797,875
Oil and gas sales	1,930,751	828,770
Javelin-Wabush iron contract	1,330,959	1,330,959
Dividends, interest and other	<u>1,309,287</u>	<u>1,309,287</u>
	\$ <u>15,418,368</u>	\$ <u>8,266,891</u>
Less common charges:		
Administration and general		2,243,189
Fees and disbursements to the		
Receiver-manager		<u>304,536</u>
		\$ <u>2,547,725</u>
Income before income taxes, minority interest and extraordinary items		\$ 5,719,166 =====

	Identifiable assets	Amortization, depreciation and depletion
Iron ore royalties	\$ 6,123,497	\$600,597
Oil and gas sales	1,064,882	15,844
Javelin-Wabush iron contract	6,493,022	-
Dividends, interest and other	<u>4,360,759</u>	<u>-</u>
	\$18,042,160	\$616,441
Assets identifiable with no specific source of income	<u>11,920,753</u>	<u>1,076</u>
	\$29,962,913 =====	\$617,517 =====

19 Reclassifications

Certain amounts for 1984 and 1983 have been reclassified to conform with the presentation of similar amounts in the 1985 financial statements.

