



**1986**

**ANNUAL REPORT**





JAVELIN INTERNATIONAL LIMITED

ANNUAL FINANCIAL REPORT

December 31, 1986

## JAVELIN INTERNATIONAL LIMITED

## S U M M A R Y

AUDITORS' REPORT	2-3
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## CONSOLIDATED FINANCIAL STATEMENTS

Income	4-5
Deficit	6
Changes in Financial Position	7-8
Balance Sheet	9,10
Notes to Financial Statements	11-29

## SUPPLEMENTARY INFORMATION

Selected Consolidated Financial Data	30-36
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Samson  
Bélair

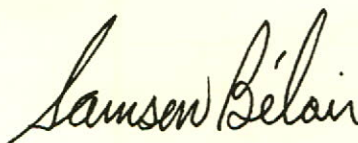
Comptables agréés

AUDITORS' REPORT

To the Shareholders of  
Javelin International Limited

We have examined the consolidated statements of income, deficit and changes in financial position of Javelin International Limited for the year ended December 31, 1986 and its consolidated balance sheet at that date. Our examination was made in accordance with generally accepted auditing standards in Canada, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the results of operations and the changes in the financial position of the Company for the year ended December 31, 1986 and its financial position at that date in accordance with Canadian generally accepted accounting principles which differ from United States generally accepted accounting principles as described in note 19 to these financial statements applied on a basis consistent with that of the preceding year.



Chartered Accountants

Montreal, March 6, 1987

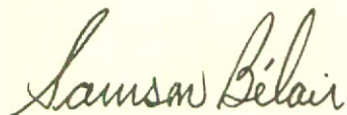
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**Samson  
Bélair**

Comptables agréés

Comments by Auditors for United States Readers  
on Canada - United States Reporting Conflict

In the United States, reporting standards for auditors require the expression of a qualified opinion when the financial statements are affected by significant uncertainties such as those referred to in Note 16 to the consolidated financial statements. The opinion in our report to shareholders dated March 6, 1987 is expressed in accordance with Canadian requirements and is not qualified with respect to, and provides no reference to, these uncertainties since such an 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, March 6, 1987

## JAVELIN INTERNATIONAL LIMITED

CONSOLIDATED INCOME  
year ended December 31

	1 9 8 6	1 9 8 5	1 9 8 4
Revenue			
Gross royalties earned on iron ore (note 4)	\$ 10,629,485	\$ 11,434,087	\$ 12,673,491
Oil and gas sales	1,911,311	3,229,695	2,928,559
Javelin-Wabush Iron Contract (note 5)	1,187,178	1,330,648	1,525,229
Dividends from an affiliated company	264,661	285,888	328,123
Gain on sale of marketable securities	308,858		
Interest and other	1,604,407	1,605,426	1,317,136
	<u>15,905,900</u>	<u>17,885,744</u>	<u>18,772,538</u>
Expenses			
Direct costs on royalties earned on iron ore			
Newfoundland mining tax	1,763,285	1,910,698	2,119,188
Newfoundland escalation tax	1,786,205	2,231,042	2,238,922
Royalties to an affiliated company	1,667,099	1,794,029	1,990,141
Depreciation and amortization	606,351	601,773	601,339
Provision on mineral rights		27,760	40,511
	<u>5,822,940</u>	<u>6,565,302</u>	<u>6,990,101</u>
Direct costs on sale of oil and gas			
Well operating	606,893	713,181	627,303
Exploration and development	19,799	66,886	106,197
Depreciation, amortization and depletion	368,666	256,557	227,400
Properties, sold or abandoned	236,506	64,012	173,099
Royalties and Revenue tax	246,506	637,155	555,395
	<u>1,478,370</u>	<u>1,737,791</u>	<u>1,689,394</u>
Total direct costs and expenses	<u>7,301,310</u>	<u>8,303,093</u>	<u>8,679,495</u>
Balance to be carried forward	<u>8,604,590</u>	<u>9,582,651</u>	<u>10,093,043</u>



## JAVELIN INTERNATIONAL LIMITED

CONSOLIDATED INCOME  
year ended December 31

	1 9 8 6	1 9 8 5	1 9 8 4
Balance forward	\$ 8,604,590	\$ 9,582,651	\$ 10,093,043
Other expenses			
Write-off of advances and investments in a subsidiary and affiliated com- panies	50,838	8,675	100,178
General and administrative (note 6)	2,395,427	2,559,688	2,586,273
	2,446,265	2,568,363	2,686,451
Income before income taxes, minority interest and extraordinary items	6,158,325	7,014,288	7,406,592
Income taxes (note 7)	3,131,627	4,635,718	4,852,048
Income before minority interest and extraordinary items	3,026,698	2,378,570	2,554,544
Minority interest	22,932	225,389	19,785
INCOME BEFORE EXTRAORDINARY ITEMS	3,003,766	2,153,181	2,534,759
Extraordinary items (note 8)	( 921,013)		( 197,423)
NET INCOME FOR THE YEAR	\$ 2,082,753	\$ 2,153,181	\$ 2,337,336
INCOME PER SHARE			
Income per share before extraordinary items	\$ 0.419	\$ 0.300	\$ 0.354
Extraordinary items	( 0.128)		( 0.028)
NET INCOME PER SHARE FOR THE YEAR	\$ 0.291	\$ 0.300	\$ 0.326

## JAVELIN INTERNATIONAL LIMITED

CONSOLIDATED DEFICIT  
year ended December 31

	1 9 8 6	1 9 8 5	1 9 8 4
Balance at beginning			
As previously reported	\$( 24,592,760)	\$( 25,260,328)	\$( 30,549,586)
Prior years' adjustments (note 9)			
Income tax reassessments	( 246,164)	( 234,014)	( 159,889)
Other corrections and adjustments		294,649	3,172,176
As restated	( 24,838,924)	( 25,199,693)	( 27,537,029)
Net income for the year	2,082,753	2,153,181	2,337,336
Transfer from the contributed surplus	45,000		
	( 22,711,171)	( 23,046,512)	( 25,199,693)
Dividends		1,792,412	
Balance at end	<u>\$( 22,711,171)</u>	<u>\$( 24,838,924)</u>	<u>\$( 25,199,693)</u>

## JAVELIN INTERNATIONAL LIMITED

CONSOLIDATED CHANGES IN FINANCIAL POSITION  
year ended December 31

	1 9 8 6	1 9 8 5	1 9 8 4
CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES:			
OPERATIONS			
Income before extraordinary items	\$ 3,003,766	\$ 2,153,181	\$ 2,534,759
Items not affecting cash			
Depreciation, amortization and depletion	975,017	858,330	828,739
Provision on mineral rights and properties sold or abandoned	236,506	91,772	40,511
Net loss on disposal of fixed assets			154,626
Deferred income tax	( 17,000)	( 19,000)	( 706,300)
Foreign exchange on non-current items	( 6,895)	35,762	37,514
Write-off of advances and investments in a non-consolidated subsidiary and affiliated companies	50,838	8,675	100,178
Minority interest	22,932	225,389	19,785
	4,265,164	3,354,109	3,009,812
Reduction of receivable under Javelin-Wabush Iron Contract	216,780	180,205	150,780
Reduction of advances from minority shareholders		( 13,347)	( 71,433)
Extraordinary items affecting cash	158,321		( 291,387)
Changes in non-cash operating working capital balances (note 18)	(11,512,525)	3,043,987	5,838,104
	( 6,872,260)	6,564,954	8,635,876
FINANCING			
Dividends paid		( 1,792,412)	
INVESTMENTS			
Acquisition of fixed assets	( 667,222)	( 1,004,908)	( 1,025,450)
Acquisition of long-term investment	( 504,623)		
Reduction of mortgage receivable	4,707	4,150	3,660
Proceeds on disposal of fixed assets		2,175	18,473
Settlement of the Linerboard Project claim and Juliette Lake compensation	2,750,000		
Advances to a non-consolidated subsidiary and affiliated companies	( 50,838)	( 58,423)	( 100,178)
	1,532,024	( 1,057,006)	( 1,103,495)

## JAVELIN INTERNATIONAL LIMITED

CONSOLIDATED CHANGES IN FINANCIAL POSITION  
year ended December 31

	1 9 8 6	1 9 8 5	1 9 8 4
CASH *			
Increase (decrease) during the year	\$( 5,340,236)	\$ 3,715,536	\$ 7,532,381
Balance at beginning	<u>15,002,099</u>	<u>11,286,563</u>	<u>3,754,182</u>
Balance at end	<u>\$ 9,661,863</u>	<u>\$ 15,002,099</u>	<u>\$ 11,286,563</u>

\* Cash comprises cash and temporary investments.



## JAVELIN INTERNATIONAL LIMITED

1 9 8 6

1 9 8 5

## CURRENT ASSETS

Cash	\$ 1,265,265	\$ 1,920,163
Temporary investments, at cost (market \$8,396,598, \$13,137,133 in 1985)	8,396,598	13,081,936
Royalties and other receivables (note 10)	4,263,509	4,546,965
Receivable from Government of Newfoundland and Labrador	245,076	3,912,278
Deposits and prepaid expenses	<u>461,616</u>	<u>537,846</u>
	<u>14,632,064</u>	<u>23,999,188</u>

## LONG-TERM ASSETS

Long-term investment (note 11)	504,623	
Receivable under the Javelin-Wabush Iron Contract - net of unamortized valuation discount (note 5)	4,516,824	4,733,604
Claim receivable, Linerboard Project - net of allowance (note 17)		3,079,334
Compensation receivable - Julianne Lake (note 17)		750,000
Mortgage receivable (note 12)	<u>438,756</u>	<u>443,463</u>
	<u>5,460,203</u>	<u>9,006,401</u>
Advances to and investments in a non-consolidated subsidiary and affiliated companies (note 13)	<u>4,267</u>	<u>4,267</u>
Properties, mineral rights, leases, permits and concessions including exploration, development and well costs, plant and equipment (note 14)	<u>4,372,951</u>	<u>4,917,252</u>
	<u>\$ 24,469,485</u>	<u>\$ 37,927,108</u>

ON BEHALF OF THE BOARD

*Maurice Dwyer*, Director  
*André Rochette*, Director



CONSOLIDATED BALANCE SHEET  
as at December 31

	1 9 8 6	1 9 8 5
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 836,193	\$ 2,014,620
Amounts owed to the Government of Newfoundland and Labrador (note 17)	1,706,009	14,348,985
Income taxes payable	<u>184,530</u>	<u>1,901,499</u>
	<u>2,726,732</u>	<u>18,265,104</u>
<b>LONG-TERM LIABILITIES</b>		
Advances from a non-consolidated subsidiary and affiliated companies (note 2)	559,940	566,835
Advances payable to minority shareholders	19,098	19,098
Deferred income taxes	<u>          </u>	<u>17,000</u>
	<u>579,038</u>	<u>602,933</u>
<b>MINORITY SHAREHOLDERS' EQUITY</b>	<u>1,282,099</u>	<u>1,260,208</u>
<b>EQUITY</b>		
Capital stock (note 15)	42,592,787	42,592,787
Contributed surplus		45,000
Deficit	<u>(22,711,171)</u>	<u>(24,838,924)</u>
	<u>19,881,616</u>	<u>17,798,863</u>
	<u>\$ 24,469,485</u>	<u>\$ 37,927,108</u>
<b>CONTINGENT LIABILITIES AND LITIGATIONS (note 16)</b>		

## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 1986  
(all amounts stated herein are in Canadian  
dollars unless otherwise indicated)

1. JUDGMENT OF FEBRUARY 27, 1986, OF THE SUPERIOR COURT  
OF THE DISTRICT OF MONTREAL

On February 27, 1986, the Quebec Superior Court rendered a judgment disposing of several pending applications concerning the Company. These 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. John C. 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.

The Court 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 Court further ordered that a trial would 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 trial of the issue relating to the ownership to the capital stock of Kanara S.A., Luanda S.A., Seriedad S.A., Vilamar S.A., and Pole Investments Inc., has commenced in the month of May 1986, and is presently pending before the Superior Court of the District of Montreal.



## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 1986  
(all amounts stated herein are in Canadian  
dollars unless otherwise indicated)

1. JUDGMENT OF FEBRUARY 27, 1986, OF THE SUPERIOR COURT  
OF THE DISTRICT OF MONTREAL (cont'd)

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 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. On March 27, 1986, Mr. Doyle filed an appeal to the February 27, 1986 judgment of the Honourable Mr. Justice John H. Gomery of the Superior Court of Quebec. In addition, Asiamerica Capital Ltd., Industrial Equity (Pacific) Ltd., and J.W. Holdings (H.K.) Ltd., filed a separate appeal from certain aspects of the judgment. These appeals are presently pending before the Court of Appeal of the Province of Quebec.

The then Receiver-manager of the Company and the Director appointed under the Canada Business Corporations Act have also raised before the Superior Court of the District of Montreal, the question as to whether or not Mr. Doyle is the beneficial owner of the capital stock of Inversiones Montforte S.A. and if the shares of the Company registered in the name of the foregoing corporation should be cancelled. The application is pending.

2. 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 16c)), and Bison Brewing Company Limited.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Temporary Investments

Marketable securities are recorded at the lower of cost and market value.

## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 year ended December 31, 1986  
 (all amounts stated herein are in Canadian  
 dollars unless otherwise indicated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## 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.

## c) Advances to and Investments in Subsidiaries and Affiliated Companies

Potential losses on advances to and investments in subsidiaries and affiliated companies are provided for as and when required.

## d) Properties, Mineral Rights, Leases, Permits and Concessions including Exploration, Development and well Costs, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation calculated on the declining balance method at the rate of 20% per annum.

The costs of properties, mineral rights, leases, permits and concessions including exploration, development 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 an amount of \$600,597 per annum.

## e) Foreign exchange

Foreign currency has been translated into Canadian funds by using the exchange rate in force at year-end for assets and liabilities and the average exchange rate for the year for the purposes of the income statement. The gain or loss resulting from these conversions is included in general and administrative expenses in the income statement.

## 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 in note 18.

## 4. ROYALTIES

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



## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 year ended December 31, 1986  
 (all amounts stated herein are in Canadian  
 dollars unless otherwise indicated)

## 4. ROYALTIES (cont'd)

Up to December 31, 1983, the rates used to calculate these royalties were based on the published Lake Erie price of Old Range Non-Bessemer ore. In January 1984, this price ceased to be published. Wabush Mines is of the opinion that disappearance of this published price does not frustrate the agreement. For the year ended December 31, 1986, the Company received royalties varying between \$2.03632 and \$2.05263 per ton (\$2.03017 and \$2.05005 in 1985) 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 and Pickands Mather are in process of negotiating to settle the above issue. The Company has recorded income based on the Mesabi Non-Bessemer ore prices.

The Company is obliged to pay to Knoll Lake Minerals Limited (39.5% owned by Javelin International Limited) 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.

5. 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 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. During 1986, a payment of \$1,403,957 was received \$1,510,853 in 1985. Amortization of the valuation discount of \$216,780 was applied against this payment. As at December 31, 1986, the balance receivable under this agreement was \$9,704,247 (\$11,108,204 in 1985).

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 of 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, 1986, the present value of the annual minimum payments calculated on the same basis amounted to \$4,516,824 (\$4,733,604 in 1985).

## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 year ended December 31, 1986  
 (all amounts stated herein are in Canadian  
 dollars unless otherwise indicated)

## 6. GENERAL AND ADMINISTRATIVE

General and administrative expenses include Receiver-manager fees \$214,143 to June 30, 1986, the end of the term of the appointment of the Receiver-manager. (Receiver-manager fees to December 31, 1985 totalled \$456,473).

## 7. INCOME TAXES

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

	1 9 8 6	1 9 8 5 (Restated)	1 9 8 4 (Restated)
Income before income taxes, minority interest and extra- ordinary items	\$ 6,158,325	\$ 7,014,288	\$ 7,046,592
Computed taxes at statutory rates	\$ 2,703,712	\$ 3,553,598	\$ 3,724,257
Increase (decrease) in taxes on non-deductible items:			
Newfoundland escalation taxes	778,250	1,113,290	1,097,077
Newfoundland mining taxes	768,263	953,438	1,038,402
Crown royalties	120,400	302,600	290,100
Amortization and depreciation	264,187	300,285	294,656
Amortization of the Javelin- Wabush Iron Contract	94,451	89,922	73,882
Interest expense	122,704	114,322	33,986
Non taxable dividends	( 130,253)	( 142,658)	( 162,421)
Tax deductible Resource allowance	( 1,207,982)	( 1,640,164)	( 1,737,315)
Other - net	( 382,105)	( 8,915)	199,424
Provision for income taxes	\$ 3,131,627	\$ 4,635,718	\$ 4,852,048



## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 year ended December 31, 1986  
 (all amounts stated herein are in Canadian  
 dollars unless otherwise indicated)

## 8. EXTRAORDINARY ITEMS

	1 9 8 6	1 9 8 5	1 9 8 4
Loss on court settlement of litigation with a previous director of the Company (net of income taxes of \$119,150)	\$ <u>154,317</u>	\$	\$
Loss on Settlement of litigation (net of income tax recovery of \$94,556)			291,387
Net loss on settlement with the Government of Newfoundland and Labrador made up of the following:			
Loss on claim receivable, Linerboard Project (net of income taxes of \$123,594)	955,740		
Gain resulting from reduction of interest expense on escalation taxes	( 163,731)		
Gain resulting from interest earned on mining and mineral tax refunds	( 25,313)		
Gain on write-off of amounts with non-consolidated subsidiaries			( 93,964)
	<u>766,696</u>		
	<u>\$ 921,013</u>	<u>\$ -</u>	<u>\$ 197,423</u>

## 9. PRIOR YEARS' ADJUSTMENTS

## Income tax reassessments

One of the Company's subsidiaries has been reassessed by Revenue Canada on October 31, 1986 for income taxes for the 1981 to the 1984 taxation years inclusive. Income taxes and interest claimed by Revenue Canada amount to \$645,715. These amounts have been recorded in the financial statements and a partial payment of \$300,000 has been issued on February 6, 1987. The company has objected to the reassessments.

## Other corrections and adjustments

These corrections and adjustments include items such as corrections of convertible debentures, escalation tax, settlement of income tax litigation and other tax adjustments.

## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 year ended December 31, 1986  
 (all amounts stated herein are in Canadian  
 dollars unless otherwise indicated)

## 10. ROYALTIES AND OTHER RECEIVABLES

Royalties from Wabush Mines (note 4)	\$ 2,257,325	\$ 2,215,518
Javelin-Wabush Iron Contract (note 5)	1,403,957	1,510,853
Dividends-Knoll Lake Minerals Limited	329,787	193,161
Other receivables	<u>272,440</u>	<u>627,433</u>
	<u>\$ 4,263,509</u>	<u>\$ 4,546,965</u>

## 11. LONG-TERM INVESTMENT

By way of a private placement, the Company purchased 540,000 flow through shares, exchangeable for shares of a public mining company. This investment is recorded at cost, net of tax credits.

## 12. MORTGAGE RECEIVABLE

The mortgage with interest at 13% per annum is receivable in equal blended monthly instalments of \$5,049, and the unpaid portion becomes due in 1988.

## 13. ADVANCES TO AND INVESTMENTS IN A NON-CONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

	1986	1985
Non-consolidated subsidiary		
Pavonia S.A.	\$ 1	\$ 1
Affiliated companies		
Knoll Lake Minerals Limited	4,263	4,263
Dominion Jubilee Corporation Limited	1	1
Jubilee Quebec Holdings Limited	1	1
Norlex Mines Limited	<u>1</u>	<u>1</u>
	<u>\$ 4,267</u>	<u>\$ 4,267</u>



## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 year ended December 31, 1986  
 (all amounts stated herein are in Canadian  
 dollars unless otherwise indicated)

14. PROPERTIES, MINERAL RIGHTS, LEASES, PERMITS AND CONCESSIONS INCLUDING  
 EXPLORATION, DEVELOPMENT AND WELL COSTS, PLANT AND EQUIPMENT

	1 9 8 6	1 9 8 5
Producing properties oil and gas	\$ 1,996,321	\$ 1,854,583
Production and other equipment	<u>1,459,329</u>	<u>1,266,068</u>
	3,455,650	3,120,651
Less accumulated depreciation and depletion	<u>( 1,770,285)</u>	<u>( 1,401,443)</u>
	1,685,365	1,719,208
Non-producing properties, oil and gas	339,757	309,538
Mineral rights, leases, permits and concessions including exploration, development and well costs - net	<u>2,347,829</u>	<u>2,888,506</u>
	<u>\$ 4,372,951</u>	<u>\$ 4,917,252</u>

15. CAPITAL STOCK

	1 9 8 6	1 9 8 5
Authorized, an unlimited number		
Preferred shares, class "A" voting, redeemable and convertible into common shares		
Common shares		
Issued and Paid		
7,169,648 Common shares	<u>\$ 42,592,787</u>	<u>\$ 42,592,787</u>

## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 1986  
(all amounts stated herein are in Canadian  
dollars unless otherwise indicated)

## 16. CONTINGENT LIABILITIES AND LITIGATIONS

## 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.

On September 9, 1986, as requested by the Company, the 1974 judgment was amended to eliminate the provisions which require Javelin International Limited to maintain a standing Compliance Committee to review all information to be disseminated to the public or otherwise filed with the Securities and Exchange Commission and to retain a public information officer and special counsel to the Compliance Committee.

## b) 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 US \$605,000 allegedly based on an assignment by Javelin Export Limited, a Pavonia subsidiary, of a US \$605,000 claim against the Company for the payments made on the Company's behalf 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 US \$405,000 which it increased to US \$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.



## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 1986  
(all amounts stated herein are in Canadian  
dollars unless otherwise indicated)

## 16. CONTINGENT LIABILITIES AND LITIGATIONS (cont'd)

## b) Control of Pavonia S.A. (cont'd)

In February 1984, the Court issued an order that Export was the purchaser of Pavonia's capital stock for US \$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 then Receiver-manager of the Company's authority to institute legal proceeding in Panama against the 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.

## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 1986  
(all amounts stated herein are in Canadian  
dollars unless otherwise indicated)

## 17. SETTLEMENT OF LITIGATIONS

During the year, the company has reached a settlement with the Government of Newfoundland and Labrador on the following matters:

## 1) Contestation of the validity of the Reversion Act

In 1960, the Company leased from Newfoundland and Labrador Corporation Limited, properties extending over 1.29 square mile in the Julianne 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 Julianne 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 and Labrador 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 and Labrador to respect its obligations regarding the Julianne Lake Deposit.

On December 5, 1986, the Company reached a global settlement with the Government of Newfoundland and Labrador and has discontinued this action in consideration of a payment of a sum of \$750,000.

## 11) Claim receivable, Linerboard Project

In 1972, the Government of Newfoundland and Labrador 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 and Labrador had already paid the sum of \$6,600,000 to the Company and its subsidiaries. In addition, the Company was claiming the sum of \$3,779,334 plus interest from the Government of Newfoundland and Labrador under the acquisition contract which provided for arbitration as the means of resolving certain disagreements over the amounts to be paid. The additional amount claimed was related to expenses and advances made by the Company in connection with the project.

The Government of Newfoundland and Labrador had 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.



## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 1986  
(all amounts stated herein are in Canadian  
dollars unless otherwise indicated)

## 17. SETTLEMENT OF LITIGATIONS (cont'd)

## ii) Claim receivable, Linerboard Project (cont'd)

In April 1982, the Company instituted proceeding in the Trial Division of the Supreme Court of Newfoundland claiming the amount of \$1,272,367 regarding issues which were not included in the claim then pending before the arbitration board. In July 1986, the amount of the claim was reduced to \$276,921.

As part of the global settlement on December 5, 1986, the Company accepted the sum of \$2,000,000 in settlement of the claim before the arbitration board and in settlement of the claim before the Trial Division of the Supreme Court of Newfoundland. The action instituted in April 1982, has therefore been discontinued.

## iii) Mining and Mineral Rights Tax Act

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 had filed tax returns for the years 1975 through 1985 under the 1975 Act, claiming significant deductions and credits. In 1981, the Government of Newfoundland and Labrador amended the 1975 Act to eliminate retroactively to 1975, the Company's claims for deductions of amounts the Company expended primarily for the development of the Wabush Lake Mine prior to the enactment of 1975 Act.

The Government of Newfoundland and Labrador made several reassessments with respect to the Company's tax obligations for the years 1975 to 1985 resulting in a refund to the Company in the amount of \$4,075,107. 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 was either subject to payments under the 1960 Act or the 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.

On December 5, 1986, in final settlement of the actions above-mentioned, the Company accepted from the Government of Newfoundland and Labrador a payment of the sum of \$4,075,107.



## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 year ended December 31, 1986  
 (all amounts stated herein are in Canadian  
 dollars unless otherwise indicated)

## 17. SETTLEMENT OF LITIGATIONS (cont'd)

## iv) Escalation Tax

In 1979, the Government of Newfoundland and Labrador brought an action against the Company in the Supreme Court of Newfoundland seeking royalties aggregating \$2,577,789 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 Mine during such years. In 1982, the Court rendered a judgment against the Company for the royalties of \$2,577,789.

The Company appealed the judgment and in March 1986, the Company's appeal of the decision was denied. The Company made an application for leave to appeal to the Supreme Court of Canada, and the application was denied in June 1986. The Government had already applied a reimbursement due under the Mining and Mineral Rights Tax Act as a credit against the escalation tax and the Company accepted the compensation. The judgment bore no prejudgment interest.

In satisfaction of the said judgment, as part of the global settlement on December 5, 1986, the Company paid to the Government of Newfoundland and Labrador a sum of \$2,683,725 and the Government of Newfoundland and Labrador gave a complete release to the Company.

In 1982, the Government of Newfoundland and Labrador brought an action against the Company in the Supreme Court of Newfoundland seeking royalties of \$4,782,165 for 1979 through 1981. No interest was claimed for that period. In December 1985, the Government of Newfoundland and Labrador filed a lawsuit against the Company in the Supreme Court of Newfoundland seeking royalties of \$4,971,693 for 1982, 1983 and 1984. The Government of Newfoundland and Labrador also demanded additional royalties aggregating \$2,017,338 for 1985.

On December 5, 1986, the Company settled with the Government of Newfoundland and Labrador the two actions above-described and the claim for 1985 by paying the following sums of money for the following years:

<u>YEAR</u>	<u>ROYALTY</u>	<u>INTEREST AND ADJUSTMENTS</u>	<u>TOTAL ROYALTY AND INTEREST</u>
1976, 1977, 1978	\$ 2,577,789	\$ 105,936	\$ 2,683,725
1979, 1980 and 1981	4,782,165		4,782,165
1982, 1983 and 1984	4,971,693	264,260	5,235,953
1985	2,017,338	138,953	2,156,291
	<u>\$ 14,348,985</u>	<u>\$ 509,149</u>	<u>\$14,858,134</u>

## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 year ended December 31, 1986  
 (all amounts stated herein are in Canadian  
 dollars unless otherwise indicated)

## 17. SETTLEMENT OF LITIGATIONS (cont'd)

## v) Newfoundland Impost Act

The Government of Newfoundland and Labrador, in September 1984, assessed Newfoundland and Labrador Corporation Limited, a subsidiary of the Company, 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 3, 1984.

In December 1985, the Government of Newfoundland and Labrador appealed the decision of the Mining Tax Review Board before the Supreme Court of Newfoundland, trial division, on questions of law, and on December 5, 1986, desisted from its appeal.

## vi) Compensation

According to the settlement above-described, the Company owed as of December 5, 1986, to the Government of Newfoundland and Labrador the sum of \$14,858,134 while the Government of Newfoundland and Labrador owed Javelin International Limited the sum of \$6,825,107. The two amounts were compensated and the Company remitted to the Government of Newfoundland and Labrador the difference, to wit \$8,033,027 as final settlement.

## 18. CHANGES IN NON-CASH OPERATING WORKING CAPITAL BALANCES

	1 9 8 6	1 9 8 5	1 9 8 4
Royalties and other receivables	\$ 283,456	\$ 2,020,669	\$( 815,008)
Receivable from the Government of Newfoundland and Labrador	3,667,202	( 442,546)	( 449,171)
Income tax receivable		3,484,390	( 883,513)
Deposits and prepaid expenses	76,230	191,536	( 112,124)
Accounts payable	( 1,179,468)	165,807	386,199
Amounts owed to the Government of Newfoundland and Labrador	(12,642,976)	2,017,338	1,624,178
Income taxes payable	( 1,716,969)	( 3,391,371)	5,117,453
Deferred income taxes		( 1,001,836)	970,090
	<u>\$ (11,512,525)</u>	<u>\$ 3,043,987</u>	<u>\$ 5,838,104</u>



## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 year ended December 31, 1986  
 (all amounts stated herein are in Canadian  
 dollars unless otherwise indicated)

19. DIFFERENCES IN APPLICATION OF UNITED STATES AND CANADIAN GENERALLY ACCEPTED  
 ACCOUNTING PRINCIPLES (U.S. GAAP AND CDN. GAAP)

a) Reconciliation of net income

	1 9 8 6	1 9 8 5	1 9 8 4
Income before extraordinary items per statement of income as determined in accordance with CDN. GAAP	\$ 3,003,766	\$ 2,153,181	\$ 2,534,759
Add (Deduct):			
Income tax including interest and income tax treated as prior year's adjustment under CND. GAAP	( 246,164)	60,635	1,175,096
Income before extraordinary items as determined in accordance with U.S. GAAP	2,757,602	2,213,816	3,709,855
Loss on settlement of litigations	( 921,013)		( 291,387)
Gain on write-off of advances from non-consolidated subsidiaries treated as an extraordinary items under CDN. GAAP.			93,964
Net income as determined in accordance with U.S. GAAP	\$ 1,836,589	\$ 2,213,816	\$ 3,512,432
Income per share (per U.S. GAAP)			
Income per share before extraordinary items	\$ 0.384	\$ 0.309	\$ 0.517
Extraordinary items	( 0.128)		( 0.027)
Net income per share	\$ 0.256	\$ 0.309	\$ 0.490



## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 year ended December 31, 1986  
 (all amounts stated herein are in Canadian  
 dollars unless otherwise indicated)

19. DIFFERENCES IN APPLICATION OF UNITED STATES AND CANADIAN GENERALLY ACCEPTED  
 ACCOUNTING PRINCIPLES (U.S. GAAP AND CDN. GAAP) (cont'd)

b) Reconciliation of deficit

Deficit per statement of deficit as at December 31, 1983, in accordance with CDN. GAAP as restated	\$(28,286,636)
Settlement of income tax litigation with Revenue Canada and Revenue Quebec treated as prior years adjustment under CDN. GAAP	( 1,175,096)
Termination of liability under individual retirement agreement	330,257
Net income for 1984 in accordance with U.S. GAAP	<u>3,512,432</u>
Deficit as at December 31, 1984 in accordance with U.S. GAAP	(25,619,043)
Settlement on income tax litigation with Revenue Canada and Revenue Quebec treated as prior years adjustment under CDN. GAAP	( 60,635)
Dividends paid in 1985	( 1,792,412)
Net income for 1985 in accordance with U.S. GAAP	<u>2,213 816</u>
Deficit as at December 31, 1985 in accordance with U.S. GAAP	(25,258,274)
Income tax treated as prior years adjustment under CDN. GAAP	246,164
Transfer from the contributed surplus	45,000
Net income for 1986 in accordance with U.S. GAAP	<u>1,836,589</u>
Deficit as at December 31, 1986 in accordance with U.S. GAAP	<u>\$(23,130,521)</u>

## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 1986  
(all amounts stated herein are in Canadian  
dollars unless otherwise indicated)

19. DIFFERENCES IN APPLICATION OF UNITED STATES AND CANADIAN GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES (U.S. GAAP AND CDN. GAAP) (cont'd)

b) Reconciliation of deficit (cont'd)

In 1973, a subsidiary of the Company 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 increase 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 deficit as stated would be increased by \$419,350 and capital surplus would be increased by the same amount.

20. 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 activities are conducted in Canada, therefore no segmented information was provided by geographical location.

## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 1986  
(all amounts stated herein are in Canadian  
dollars unless otherwise indicated)

## 20. SEGMENTED INFORMATION (cont'd)

Segments by source of income for the years ended December 31, 1986, 1985 and 1984:

	1986		1985		1984	
	Gross Revenue	Operating Profit	Gross Revenue	Operating Profit	Gross Revenue	Operating Profit
Iron ore royalties	\$ 10,629,485	\$ 4,806,545	\$ 11,434,087	\$ 4,868,785	\$ 12,673,491	\$ 5,683,390
Oil and gas sales	1,911,311	432,941	3,229,695	1,491,904	2,928,559	1,239,165
Javelin-Wabush Iron Contract	1,187,178	1,187,178	1,330,648	1,330,648	1,525,229	1,525,229
Dividends, interest and other	2,177,926	2,177,926	1,891,314	1,891,314	1,645,259	1,645,259
	<u>\$ 15,905,900</u>	<u>8,604,590</u>	<u>\$ 17,885,744</u>	<u>9,582,651</u>	<u>\$ 18,772,538</u>	<u>10,093,043</u>
Less common charges:						
General and administrative		2,395,427		2,559,688		2,586,273
Investment and advances written off		<u>50,838</u>		<u>8,675</u>		<u>100,178</u>
		<u>2,446,265</u>		<u>2,568,363</u>		<u>2,686,451</u>
Income before income taxes, minority interest and extraordinary items		<u>\$ 6,158,325</u>		<u>\$ 7,014,288</u>		<u>\$ 7,406,592</u>

Identifiable assets by source of income:

	Identifiable Assets	Amortization Depreciation and Depletion	Identifiable Assets	Amortization Depreciation and Depletion	Identifiable Assets	Amortization Depreciation and Depletion
Iron ore royalties	\$ 4,201,903	\$ 600,597	\$ 4,760,693	\$ 600,597	\$ 5,648,343	\$ 600,597
Oil and gas sales	2,271,511	368,666	2,638,910	256,557	1,706,881	227,400
Javelin-Wabush Iron Contract	5,920,781		6,244,457		6,589,818	
Dividends, interest and other	<u>10,939,292</u>		<u>15,660,004</u>		<u>11,995,956</u>	
	<u>23,333,487</u>	<u>969,263</u>	<u>29,304,064</u>	<u>857,154</u>	<u>25,940,998</u>	<u>827,997</u>
No specific source of income	<u>1,135,998</u>	<u>5,754</u>	<u>8,623,044</u>	<u>1,176</u>	<u>13,656,347</u>	<u>742</u>
	<u>\$ 24,469,485</u>	<u>\$ 975,017</u>	<u>\$ 37,927,108</u>	<u>\$ 858,330</u>	<u>\$ 39,597,345</u>	<u>\$ 828,739</u>



## JAVELIN INTERNATIONAL LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 1986  
(all amounts stated herein are in Canadian  
dollars unless otherwise indicated)

## 21. COMPARATIVE FIGURES

Some figures for the preceding years have been reclassified for comparison with those of the current year.

## 22. CHANGE OF AUDITORS

The figures for 1985 and 1984, presented for comparative purposes, are taken from financial statements audited by another firm of auditors.

SUPPLEMENTARY INFORMATION

## JAVELIN INTERNATIONAL LIMITED

## Year ended December 31

## SELECTED INCOME STATEMENT DATA

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

## a) Revenue:

	<u>1 9 8 6</u>	<u>1 9 8 5</u>	<u>1 9 8 4</u>	<u>1 9 8 3</u>	<u>1 9 8 2</u>
Gross Royalties Earned	\$ 10,629,485	\$ 11,434,087	\$ 12,673,491	\$ 10,847,371	\$ 6,367,436
Oil and Gas Sales	1,911,311	3,229,695	2,928,559	1,930,751	1,319,319
Interest and Other	1,869,068	1,891,314	1,645,259	1,309,287	1,311,505
Income Under Javelin-Wabush					
Iron Contract	1,187,178	1,330,648	1,525,229	1,330,959	793,632
Gain on sale of Marketable Securities	<u>308,858</u>				
	<u>\$ 15,905,900</u>	<u>\$ 17,885,744</u>	<u>\$ 18,772,538</u>	<u>\$ 15,418,368</u>	<u>\$ 9,791,892</u>
Income (Loss) from Continuing Operations before Extraordinary Items *	<u>\$ 3,003,766</u>	<u>\$ 2,153,181</u>	<u>\$ 2,534,759</u>	<u>\$ 2,572,842</u>	<u>\$ ( 35,343)</u>
Income (Loss) per share from Continuing Operations before Extraordinary Items *	<u>\$ 0.419</u>	<u>\$ 0.300</u>	<u>\$ 0.354</u>	<u>\$ 0.359</u>	<u>\$ ( 0.004)</u>

## b) Selected Balance sheet Data

Total Assets	\$ 24,469,485	\$ 37,927,108	\$ 39,597,345	\$ 29,962,913	\$ 26,779,491
Long-Term Debt	NIL	NIL	NIL	NIL	NIL
Cash Dividends par Share	NIL	\$ 0.25	NIL	NIL	NIL

\* The amounts include the operations of Bison Petroleum and Minerals Limited and exclude the figures for Pavonia, S.A. and subsidiaries.

## JAVELIN INTERNATIONAL LIMITED

## SELECTED INCOME STATEMENT DATA (cont'd)

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

c) Income (Loss) from Continuing Operations before  
Extraordinary Items in Accordance with Canadian  
GAAP

Year ended December 31				
<u>1 9 8 6</u>	<u>1 9 8 5</u>	<u>1 9 8 4</u>	<u>1 9 8 3</u>	<u>1 9 8 2</u>
\$ 3,003,766	\$ 2,153,181	\$ 2,534,759	\$ 2,575,842	\$( 35,343)
<u>Add (Deduct):</u>				
Gain on Sale of Building treated as Extraordinary Item under Canadian GAAP				181,419
Settlement of Mining Tax Litigation with the Government of Newfoundland and Labrador treated as Prior Year's Adjustment Under Canadian GAAP				646,632
Settlement of Income Tax Litigation with Revenue Canada and Revenue Quebec treated as Prior Year's Adjustment Under Canadian GAAP	( 246,164)	60,635	1,175,096	( 1,559,826)
Adjustment in Respect of Deferred Liability Under Individual Retirement Agreements			8,508	250,644
Income (Loss) from Continuing Operations Before Extraordinary Items in Accordance with United States GAAP	<u>\$ 2,757,602</u>	<u>\$ 2,213,816</u>	<u>\$ 3,709,855</u>	<u>\$ 2,581,350</u>
Income (Loss) per Share from Continuing Operations Before Extraordinary Items in Accordance with United States GAAP	<u>\$ 0.384</u>	<u>\$ 0.309</u>	<u>\$ 0.517</u>	<u>\$ 0.360</u>
				<u>\$( 0.078)</u>

Note: The amounts include the operations of Bison Petroleum and Minerals Limited and exclude the figures for Pavonia, S.A. and Subsidiaries.

## JAVELIN INTERNATIONAL LIMITED

## SELECTED CONSOLIDATED FINANCIAL DATA (cont'd)

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

## d) 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:

	Year ended December 31		
	1 9 8 6	1 9 8 5	1 9 8 4
	(in thousands of dollars)		
Unproved oil and gas properties	\$ 340	\$ 309	\$ 356
Proved oil and gas properties	<u>3,455</u>	<u>3,121</u>	<u>2,177</u>
	3,795	3,430	2,533
Accumulated depreciation, depletion and amortization	<u>1,770</u>	<u>1,401</u>	<u>1,161</u>
Net capitalized costs	<u>\$ 2,025</u>	<u>\$ 2,029</u>	<u>\$ 1,372</u>

All properties are located in Canada.

## Costs Incurred in Oil and Gas Properties Acquisition, Exploration and Development Activities:

	Year ended December 31		
	1 9 8 6	1 9 8 5	1 9 8 4
	(in thousands of dollars)		
Property acquisition costs	\$ 31	\$	\$
Exploration costs	250	67	106
Development costs	<u>338</u>	<u>956</u>	<u>939</u>
	<u>\$ 619</u>	<u>\$ 1,023</u>	<u>\$ 1,045</u>

All costs are incurred in Canada.



## JAVELIN INTERNATIONAL LIMITED

## SELECTED CONSOLIDATED FINANCIAL DATA (cont'd)

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

## e) Results of Operations from Producing Activities:

	Year ended December 31		
	1 9 8 6	1 9 8 5	1 9 8 4
	(in thousands of dollars)		
Revenue:			
Oil and gas sales	\$ 1,665	\$ 2,593	\$ 2,374
Deduct:			
Production costs	607	755	811
Exploration expenses			
Depreciation, depletion and amortization	369	257	103
Income tax expenses	10	787	704
	986	1,799	1,618
Results of operations from producing activities	\$ 679	\$ 794	\$ 756

All operations are in Canada.

## Estimated Quantities of Proved Oil and Gas Reserves

Proved, developed and undeveloped reserves:	Oil	Gas
At December 31, 1983	1,466	10,364
Production	85	42
At December 31, 1984	1,381	10,322
Revisions of previous estimate	138	
Production	94	45
At December 31, 1985	1,149	10,277
Revisions of previous estimate	133	
Production	89	12
At December 31, 1986	927	10,265
Proved Developed Reserves		
At December 31, 1983	667	2,570
At December 31, 1984	757	3,045
At December 31, 1985	525	3,000
At December 31, 1986	303	2,988

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



## JAVELIN INTERNATIONAL LIMITED

## 22. SELECTED CONSOLIDATED FINANCIAL DATA (cont'd)

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

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

	Year ended December 31		
	1 9 8 6	1 9 8 5	1 9 8 4
	(in thousands of dollars)		
Future cash inflows	\$ 7,609	\$ 18,110	\$ 12,943
Future costs:			
Production and development	4,137	5,684	8,880
Income taxes	1,081	5,863	2,113
Future net cash flows	2,391	6,563	1,950
Deduct: 10% annual discount factor	721	2,294	463
Standardized measure of discounted future net cash flows	\$ 1,670	\$ 4,269	\$ 1,487

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

	Year ended December 31		
	1 9 8 6	1 9 8 5	1 9 8 4
	(in thousands of dollars)		
Beginning of year	\$ 4,269	\$ 1,487	\$ 1,944
Sales of oil and gas, net of production costs	( 1,058)	( 1,838)	( 1,563)
Net change in prices and pro- duction costs	( 2,369)	3,020	152
Extensions, discoveries and improved recovery less related costs		531	
Accretion of discount	295	149	195
Net change in income taxes	533	920	759
End of year	\$ 1,670	\$ 4,269	\$ 1,487

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.



## JAVELIN INTERNATIONAL LIMITED

## SELECTED CONSOLIDATED FINANCIAL DATA (cont'd)

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

	Year ended December 31			
	1 9 8 7	1 9 8 8 (in thousand of dollars)	1 9 8 9	1 9 9 0 and future years
Future cash inflows	\$ 1,070	\$ 967	\$ 886	\$ 4,686
Future costs:				
Production and development	443	421	418	2,855
Income taxes	<u>134</u>	<u>144</u>	<u>141</u>	<u>662</u>
Future net cash flows	493	402	327	1,169
Deduct: 10% annual discount factor	<u>45</u>	<u>70</u>	<u>81</u>	<u>525</u>
Standardized measure of discounted future net cash flows	\$ <u>448</u>	\$ <u>332</u>	\$ <u>246</u>	\$ <u>644</u>

## JAVELIN INTERNATIONAL LIMITED

## SELECTED CONSOLIDATED FINANCIAL DATA (cont'd)

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

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

The common shares are traded 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

	1986 (1)		1985 (1)	
	US	\$	US	\$
	High	Low	High	Low
First quarter	\$ 3.250	\$ 2.375	\$ 1.125	\$ 0.625
Second quarter	3.688	2.750	1.750	1.125
Third quarter	3.375	2.563	2.250	1.500
Fourth quarter	3.000	2.750	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.

## Vancouver Stock Exchange

	1986		1985	
	Can.	\$	Can.	\$
	High	Low	High	Low
First quarter	\$ 4.95	\$ 3.35	\$ 2.00	\$ 0.85
Second quarter	5.25	4.15	3.00	1.75
Third quarter	4.95	3.95	3.40	2.15
Fourth quarter	4.50	3.90	3.95	3.05

As of December 31, 1986 there were 9,893 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.







