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Annual Report 1976

CANADIAN JAVELIN LIMITED

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Canadian Javelin Limited is a mining and exploration company, whose major source of revenue is derived from royalties received from iron ore production at Wabush Mines in Labrador. The Company also is engaged in silver and gold mining in El Salvador. Javelin is engaged in the exploration for base metals and precious minerals in various parts of the world.

CANADIAN JAVELIN LIMITED

Report of The Directors to Shareholders

Dear Shareholder,

Your Company's consolidated gross revenue for the year ended December 31, 1976 was $11,089,240 as compared to $6,352,840 for the prior year. Javelin in this period earned a before extraordinary items profit of $904,923 which compared to 1975 restated loss of $735,828 indicated that the Company improved its operating profit by $1,640,751 before extraordinary items. The consolidation of all the companies under Javelin's control lost $3,244,348 in 1976 after extraordinary items compared to $2,691,923 for 1975, after extraordinary items, due to factors that are explained later in this report.

The increased gross revenues in 1976 resulted from the normalizing of iron ore shipments and higher royalty payments from the Wabush mines operation, and income from the Republic of Panama bonds.

The 1975 results take into account a prolonged strike at Wabush during the peak shipping season, which curtailed 1975 earnings substantially. Forecasts for the maintaining of iron ore production at 1976 levels for the coming year look favourable.

Gross sales of your Company's wholly-owned subsidiary, Minas San Cristobal, a gold and silver producer in El Salvador, were U.S. $1,080,804 for 1976 compared to sales of U.S. $1,339,990 for 1975. Your present board has resumed the expansion of mining and milling facilities to meet the current trend which indicates a rise in demand and higher world prices for gold and silver in the international commodities markets.

In the interest of Javelin shareholders, legal steps have been taken to regain control of Bison Petroleum & Minerals Limited and Dominion Jubilee Corporation Limited from a group of Bison directors who had been members of the previous purported Board of Directors of your Company. The Bison directors group voted to dilute Javelin's holdings in Bison and Dominion Jubilee by what your present board considers to be illegal and improper means. Legal action has been taken by Javelin to restore its rightful position of control. The matter is currently before the Quebec courts. (See note 24, p. 20, in the consolidated financial statements).

Your Company received $1,873,400 in 1976 as interest and principal from the 20-year Republic of Panama bonds bearing eight percent interest which it received in compensation for the expropriation of the Cerro Colorado property in Panama in 1975.

In Newfoundland, your Company is engaged in litigation involving the nationalization of Javelin's Julienne Lake iron ore property. The 1976 financial statements of your Company provide for an allowance for the difference between the Company's investment in the Julienne Lake project and the maximum amount for the actual property only of $750,000 allowable under the law. This allowance is without prejudice to your Company's position in its present or any future legal action against the Newfoundland Government. Your Company has instituted a lawsuit against the Province for the recovery of its investment plus additional substantial sums of money in damages based on the true value of the property. This action has been dismissed on jurisdictional grounds and the Company is appealing this decision. Meanwhile, discussions have been held between the parties to attempt to settle this matter. (See note 6, p. 10, in the consolidated financial statements).

Regarding the 1972 expropriation of your Company's linerboard project, the Government of Newfoundland was directed by the courts of that Province to enter into arbitration with your Company on the Company's outstanding claims in the amount of $3,779,334 and interest thereon due under the terms of the contract with the Government. (See note 5, p. 9, in the consolidated financial statements).

Since its inception more than 25 years ago as a mineral exploration and development company, Javelin has specialized in exploration and development of large scale openpit mining operations. In the iron ore field, the Company has been responsible for the discovery of the Wabush mines, Julienne Lake, and the Star-O'Keefe properties. The Company also discovered Cerro Colorado, one of the world's largest known openpit porphyry copper ore bodies, in the Republic of Panama.

Your Company continues to be actively engaged in other similar exploration activities in the development of openpit mining of large scale ore deposits. The present direction of your Company's exploration activities lies in high profit minerals likely to be less affected by future adverse economic industrial cycles. These activities are being pursued in Latin America and elsewhere, with the emphasis on gold, silver, tin, lead and zinc. With this objective, using your corporation's technological expertise and knowledge, your Board of Directors and management has embarked on this specialized exploration program. Among the new projects now under way is a joint venture of exploration and development between your Company's subsidiary, Newfoundland and Labrador Corporation Limited, (Nalco), and Falconbridge Nickel Mines Limited covering approximately 162,400 acres in Newfoundland, as well as an exploration program with Noranda Exploration Company Limited, a subsidiary of Noranda Mines

Limited, covering two areas of approximately 205,400 acres in Newfoundland. These exploration and development projects are to establish and confirm potential basemetal deposits.

Nalco has also entered into a joint uranium exploration and development venture with BP Minerals Limited, the Canadian exploration arm of British Petroleum, for detailed exploration of approximately 400 square miles of Nalco's concession in southeastern Newfoundland.

In all of these Nalco agreements, if the participating companies decide to bring these projects to fruition, they must expend substantial amounts of capital to earn an interest in these joint ventures. Under their agreements, Nalco is not required to invest any funds during the exploration phase, but, should the projects proceed to exploitation, a cash investment would have to be made by Nalco in order to determine its percentage of minority interest in the project.

Your Company has also acquired promising mineral prospects and has other properties under study in Uruguay, Chile, Bolivia, Honduras and El Salvador.

In the Republic of Honduras, your Company's 100%-owned subsidiary, Artena S.A., acquired Compania San Marcos S. de R.L., which holds the mineral rights to the Moramulca silver-gold mine and deposits. The viability of Moramulca has been confirmed by feasibility studies previously done. In addition, San Marcos S. de R.L. is at present reopening the underground workings in the San Marcos silver-gold mine. It is intended that potential production from this property be integrated with the planned milling facility to be constructed at Moramulca.

In El Salvador, work is proceeding to reopen the Divisadero mine, historically the largest silver-gold producer in El Salvador, which closed down in the 1930s. The plan is to have ore produced from Divisadero processed by the San Cristobal milling and refining plant now under expansion.

The Montemayor-Tempisque-Banadero silver-gold properties in El Salvador have had geological and geophysical studies completed, resulting in the independent experts recommending a program of shaft sinking and underground development. Potential ore from these properties is initially intended to be used as mill feed for the San Cristobal plant and refinery, approximately 14 km. (8.6 mi.) distant. This plan also includes the nearby Hormiguero properties, a group of three former producing silver-gold mines within one concession. The properties' mines were closed in the 1930's.

In Uruguay, Pavonia Limitada, a subsidiary, holds an exploration license for gold properties in the northern sector of the country. The analytical results of extensive trenching and sampling of surface areas has been excellent, and the Company is now in the preliminary phase of a drilling program. These properties are easily accessible by existing roads and your Company's present objective is to establish an ore reserve sufficient to justify the installation of large scale processing facilities, but to date no feasibility studies have been made.

Your new Board of Directors has been actively engaged in reorganizing and studying the restructuring of Canadian Javelin Limited so that it can fully implement its new program of mineral exploration and development and maximize profits, thus reducing corporate costs.

The Company's net results have been adversely affected by legal expenses that have been incurred by the Company in its efforts to protect its assets as a result of arbitrary actions by various governments to nationalize certain of your Company's properties.

Burdensome legal expenses have also been incurred as a result of efforts by members of the former interim management to deal in a questionable manner with corporate assets. Interestingly, the largest share of legal expenses originated from litigation in the U.S. where the Company has no properties or holdings. The Company is studying ways and means to limit this vast drain on income.

The 1976 loss from the overall operation of your Company can be to a great degree attributed to the non-recurring extraordinary costs resulting from the aforementioned excessive legal expenses, and certain write-offs occasioned by governmental expropriations, as well as the provision of funds to settle the Bonime and Lurie class actions.

With the completion and presentation of this report, steps have been taken to restore undertakings with all regulatory bodies and agencies so that trading in your Company's shares can be resumed.

Yours very truly,

On Behalf of the Board of Directors,

President

June 3, 1977

Consolidated Balance Sheet

As at December 31, 1976 and 1975

ASSETS

(In Canadian Dollars)

	1976	1975 (Restated See Note 2)
Current		
Cash	$ 272,063	$ 231,025
Bank Deposit Receipts and Securities	212,800	123,061
Accounts Receivable, Royalties and Other	3,265,222	1,949,170
Inventories (Note 3)	359,193	329,473
Deposits and Prepaid Expenses	63,773	73,420
Current Portion of Bonds, Republic of Panama	434,300	395,000
	$ 4,607,351	$ 3,101,149
Long-Term		
Receivable Under Javelin-Wabush Iron Contract (Note 4)	$21,984,771	$22,902,654
Less: Contra	(21,984,771)	(22,902,654)
Balance Due re Sale of Linerboard Project Net of Allowance (Note 5)	$ 3,079,334	$ 3,079,334
Investment in Julienne Lake Property Net of Allowance (Note 6)	750,000	3,506,074
Bonds, Republic of Panama, Less Current Portion — Secured (Note 7)	17,968,577	18,581,513
	$21,797,911	$25,166,921
Investment and Advances		
Associated Companies (Note 8)	$ 3,079,924	$ 3,037,621
Non-Consolidated Subsidiaries (Note 9)	185,715	176,619
Other	59,935	56,898
	$ 3,325,574	$ 3,271,138
Fixed		
Property, Plant and Equipment — at Cost (Note 11)	$ 1,618,327	$ 1,427,377
Less: Accumulated Depreciation	995,150	958,440
	$ 623,177	$ 468,937
Mineral and Oil Rights Leases, Permits and Concessions, Including Development Costs	8,252,508	7,700,360
	$ 8,875,685	$ 8,169,297
Other		
Deferred and Other Charges	$ 121,353	$ 135,190
Unamortized Expenses	9,591,121	10,078,008
Excess of Cost Over Book Value of Investment in Subsidiaries	4,878,775	4,875,232
	$14,591,249	$15,088,430
	$53,197,770	$54,796,935

LIABILITIES
(In Canadian Dollars)

	1976	1975 (Restated See Note 2)
Current		
Bank and Other Loans	$ 124,361	$ 351,101
Accounts Payable	4,037,004	3,084,820
Liability Arising from Litigation Settlement (Note 15 (a))	1,175,000	–
Bank and Other Loans Secured (Notes 7 & 10)	1,816,575	1,645,000
Current Portion of Long-Term debt	1,076,543	1,123,130
Income Taxes Payable (Note 20)	200,000	200,000
	$ 8,429,483	$ 6,404,051
Long-Term		
Loans Payable (Note 12)	$ 2,059,278	$ 3,160,111
Mortgage and Other (Note 12)	121,385	46,775
	$ 2,180,663	$ 3,206,886
Less: Current Portion	1,076,543	1,123,130
	1,104,120	2,083,756
Due to Shareholder (Note 13 (b))	1,408,014	825,055
	$ 2,512,134	$ 2,908,811
Deferred – Advance Royalty	$ 15,750	$ 14,750
Minority Interest	$ 1,075,728	$ 1,060,300
Contingent Liabilities, Commitments and Other Matters (Notes 13, 14, 15, 16)		
Shareholders' Equity		
Capital Stock (Note 17)		
Authorized –		
Preferred: Redeemable, Non-Participating, Non Dividend Bearing, Voting, 6,000,000 Shares of $.10 Par Value		
Common: 12,000,000 shares of No Par Value, Maximum Consideration Not to Exceed $99,801,418.		
Issued and Fully Paid –		
Common: 7,169,648 Shares	$42,592,787	$42,592,787
Capital Surplus Arising From Redemption of Preferred Shares	588,860	588,860
	$43,181,647	$43,181,647
RETAINED EARNINGS (DEFICIT)	(2,016,972)	1,227,376
	$41,164,675	$44,409,023
	$53,197,770	$54,796,935

Approved on behalf of the Board:

R. Balestreri Director.
Gen. J. V. Allard (Retired) Director.

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Retained Earnings

Years Ended December 31, 1976 and 1975

Retained Earnings – December 31, 1974 (As previously reported)	$ 4.063.469
Prior Period Adjustments – Net (Note 18)	144.170
As restated	$ 3.919.299
Net Loss for the Year – as Restated (Note 18)	(2.691.923)
Retained Earnings – December 31, 1975	$ 1.227.376
Net Loss for the Year	(3.244.348)
Deficit – December 31, 1976 (Note 17(c))	$ (2.016.972)

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Operations

Years Ended December 31, 1976 and 1975

	1976	1975 (Restated See Note 2)
Revenue		
Royalties Earned on Iron Ore and Oil. Leases	**$ 7,052,024**	$ 3.873.763
Sales of Crude Oil and Bullion	**1,539,741**	1.594.283
Interest and Other	**1,579,592**	391.705
Income Under Javelin-Wabush Iron Contract	**917,883**	493.089
	$11,089,240	$ 6.352.840
Costs and Expenses		
Cost of Royalties Earned (Note 18)	**$ 3,958,936**	$ 2.351.553
Cost of Sales	**1,109,366**	992.108
Administrative and General	**4,396,834**	3.490.031
Marketing	**339,005**	292.047
Depreciation	**58,906**	57.503
Dry Hole Costs	**164,940**	79.696
	$10,027,987	$ 7.262.938
Operating Profit (Loss)	**$ 1,061,253**	$ (910.098)
Other Expenses		
Loss on Unconsolidated Subsidiaries	**$ (3,634)**	$ (3.233)
Gain (Loss) on Foreign Currency Conversion (Note 1(b))	**(149,145)**	217.729
	$ (152,779)	$ 214.496
Income (Loss) Before Minority Interest. Income Taxes and Extraordinary Items	**$ 908,474**	$ (695.602)
Minority Interests Share of Subsidiaries Profit (Loss)	**$ 3,551**	$ (156.774)
Income (Loss) Before Income Taxes and Extraordinary Items	**$ 904,923**	$ (538.828)
Provision for Income Taxes (Note 20)	**–**	200.000
	$ 904,923	$ (738.828)
Extraordinary Items (Notes 21. 18)	**(4,149,271)**	(1.953.095)
Net Loss for the Year	**$ (3,244,348)**	$ (2.691.923)
Earnings per Share		
Income (Loss) per Share (Notes 1(f). 18)		
Income (Loss) Before Extraordinary Items	**$ .13**	$ (.10)
Extraordinary Items	**(.58)**	(.27)
Net (Loss) for the Year	**$ (.45)**	$ (.37)

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1976 and 1975

	1976	1975 (Restated See Note 2)
Sources of Working Capital		
Funds From Operations		
Income (Loss) Before Extraordinary Items	$ 904,923	$ (738,828)
Add: Charges (deduct credits) to Income Not Affecting Working Capital –		
Depreciation	58,906	57,503
Depletion Included in Cost of Royalties Earned	4,997	–
Amortization Included in Cost of Royalties Earned and Cost of Sales	695,363	641,284
Minority Interests in Earnings (Loss) of Consolidated Subsidiaries	3,551	(156,774)
Total Provided by Operations, Excluding Extraordinary Items	$ 1,667,740	$ (196,815)
Extraordinary Items, Less Charges Not Affecting Working Capital ($2,799,271 – 1976; $ Nil – 1975)	(1,350,000)	(1,953,095)
Total Provided by Operations	$ 317,740	$ (2,149,910)
Refund of Contract Deposit	$ –	$ 923,149
Royalties Received in Advance	1,000	750
Decrease (Increase) in Republic of Panama Bonds	612,936	(364,343)
Increase in Amount Due to a Shareholder	582,959	211,311
Transfer of Amounts from Development Costs to Advances Subsidiaries	920,015	–
Other	8,333	–
	$ 2,442,983	$ (1,379,043)
Uses of Working Capital		
Reduction of Long Term Debt	$ 979,636	$ 4,658,553
Additions to Property, Plant and Equipment	213,146	105,522
Increase in Mineral and Oil Rights Leases, Permits and Concessions, Including Development Costs	1,472,163	750,335
Advances to Associated Companies	54,436	74,214
Increase in Unamortized Expenses	242,832	–
	$ 2,962,213	$ 5,588,624
(Decrease) in Working Capital	$ (519,230)	$ (6,967,667)
Increase (Decrease) In Components of Working Capital		
Current Assets:		
Cash, Bank Deposit Receipts and Securities	$ 130,777	$ 26,565
Accounts Receivable, Royalties and Other	1,316,052	(1,525,597)
Inventories	29,720	89,677
Deposits and Prepaid Expenses	(9,647)	(88,647)
Current Portion of Investment in Panama Copper Projects	–	(5,000,000)
Current Portion of Bonds, Republic of Panama	39,300	395,000
Increase (Decrease) in Current Assets	$ 1,506,202	$ (6,103,002)
Current Liabilities		
Bank and Other Loans	$ 226,740	$ (15,923)
Accounts Payable	(952,184)	560,129
Liability Arising from Litigation Settlement	(1,175,000)	–
Bank and Other Loans Secured	(171,575)	(1,645,000)
Current Portion of Long-Term Debt	46,587	436,129
Income Taxes Payable	–	(200,000)
Increase (Decrease) in Current Liabilities	$ (2,025,432)	$ (864,665)
(Decrease) in Working Capital	$ (519,230)	$ (6,967,667)
Working Capital (Deficiency) Beginning of year	$ (3,302,902)	$ 3,664,765
Working Capital (Deficiency) End of Year	(3,822,132)	(3,302,902)
(Decrease) in Working Capital	$ (519,230)	$ (6,967,667)

The accompanying notes form an integral part of the financial statements.

Notes to Consolidated Financial Statements

December 31, 1976 and 1975

Unless the context otherwise requires, "Company" means Canadian Javelin Limited and "Javelin" means the Company and all its Subsidiaries. "Subsidiary" of a corporation means a company in which such corporation directly or indirectly owns more than 50% of the voting stock.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, except for Gordon Holdings Limited and Bison Brewing Company Limited, two subsidiaries owned by Bison Petroleum & Minerals Limited (A 61% owned consolidated subsidiary). (See Note 24). The Bison subsidiaries have been excluded from the consolidation because one corporation is engaged in real estate and the other corporation, now inactive, was previously engaged in brewing operations and not connected with the natural resource industry. For these reasons the assets and liabilities of these Bison subsidiaries have not been consolidated. The investment in shares of Gordon Holdings Limited and Bison Brewing Company Limited is carried at cost adjusted by Javelin's share of losses since acquisition. Javelin's share of the losses since acquisition has been reflected in the consolidated financial statements of approximately $24,000 for Gordon Holdings Limited and approximately $796,000 for Bison Brewing Company Limited. Current period losses have amounted to $3,634 for Gordon Holdings Limited. All significant intercompany accounts, transactions and profits have been eliminated in consolidation.

(b) *Currency Translation*

During 1976 Javelin changed its method of accounting for foreign currency translation to a method which is more prevalent in Canada and the United States. Under the newly adopted method, foreign inventories, property and equipment, exploration and development costs and deferred income are translated at historical rates; receivables and payables are translated at current rates. Exchange gains and losses are given immediate recognition in income. In prior years unrealized exchange gains and losses were deferred.

The newly adopted method has been applied on a retroactive basis. As a result, 1976 income before extraordinary items decreased by $149,145 ($.02 per share) and net income decreased by $149,145 ($.02 per share). Income in 1975 before extraordinary items increased by $217,729 ($.03 per share) and net income increased by $217,729 ($.03 per share). The newly adopted method has also increased retained earnings at December 31, 1974 by $53,568.

(c) *Inventories*

Inventories consist of bullion and mining supplies. The bullion is stated at net realizable value and supplies are stated at average cost.

(d) *Property, Plant and Equipment*

Property, plant and equipment are stated at cost. Depreciation is calculated primarily on declining balance methods. Annual rates applied to major classes of property and reflected in the accompanying financial statements are summarized below: –

Buildings	5% to 11%
Machinery and Equipment	11% to 20%
Office, Engineering and Production Equipment	11% to 20%
Automotive Equipment	11% to 30%
Furniture and Fixtures	11% to 20%
Leasehold Improvements	11% to 20%

Repairs and maintenance are charged against income as incurred and renovations and betterments are capitalized to the extent that the properties are considered to have been improved. When assets are retired, the original cost and the related accumulated depreciation are removed from the accounts and any resulting profit or loss, after consideration for salvage value or proceeds from sale, is included in income.

(e) *Exploration and Development Costs*

The costs of mining claims, rights and options, including development costs, are being deferred until such time as the properties are placed in production, sold or abandoned. If placed in production, costs will be amortized by charges to income on a unit-of-production method on the basis of estimated ore reserves at the date production commences, except for the following properties: –

(i) The unamortized accumulated expenses on mineral leases of the Wabush project are being amortized on the straight-line basis over twenty-five years.

(ii) The preproduction development and organization cost of Minas San Cristobal, a subsidiary, are being amortized over an eight year period that commenced March 1, 1970.

(iii) Bison Petroleum & Minerals Limited, a subsidiary, follows a policy of writing off unrecovered and development expenses on the basis of estimated reserves.

Royalties are included in income as earned and operating expenses are charged against income as incurred.

(f) *Earnings Per Share*

Earnings per share are calculated by using the weighted monthly average of common shares outstanding.

(g) *Reconciliation to United States Accounting Principles*

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

If the application of these principles differs significantly from generally accepted accounting principles in the United States, reconciliations are disclosed. (See Note 17 (c)).

(h) *Amortization of Intangibles*

The excess cost over book value of investments in subsidiaries arose from acquisitions prior to October 31, 1970. Such costs will be amortized only to the extent that a decline in value becomes evident or a definite term of existence is indicated.

It is the opinion of management that there has been no such decrease in value.

NOTE 2: RESTATEMENT OF 1975 FINANCIAL STATEMENTS

The prior period's financial statements have been restated to give effect to a change in the method of accounting for foreign currency translation (See Note 1(b)) and for a reallocation of expenses to previous periods by a prior period adjustment. (See Note 18).

Certain amounts in the December 31, 1975 financial statements have been reclassified to conform with the presentation of similar amounts in the December 31, 1976 financial statements.

NOTE 3: INVENTORIES

Inventories at December 31 used in the computation of cost of sales were comprised of: –

	1976	1975	1974
Bullion	$235,644	$196,094	$120,959
Mining Supplies	123,549	133,379	239,796
	$359,193	$329,473	$360,755

NOTE 4: JAVELIN-WABUSH IRON CONTRACT

This balance results from the sale of 10% of the capital stock of Wabush Lake Railway and 10% of the capital stock of Wabush Iron Company and is payable as iron ore is shipped from the Wabush Leased premises at the rate of $0.17530 per ton at December 31, 1976, ($0.16026 at December 31, 1975), but not less than $0.10 per ton shipped, nor less than $275,000 per year. If the Wabush Lease is cancelled by Wabush Iron, 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 defaults in making the required payment of any instalment, when due, and which default shall not be cured within 60 days of notice of default, it must also surrender to the Company the title to, and possession of, all its buildings, plant and machinery on the leased premises. Not withstanding the fructification of the Wabush Project, and a history of increasing annual payments due to increases in iron ore prices, the Company has continued to account for this receivable as though it were a contingent asset dependent on the successful future operation of the Wabush Mine; and accordingly has provided against the account an allowance of equal amount so that there is no overall effect on the assets of the Company by the inclusion of the receivable.

NOTE 5: LINERBOARD PROJECT

The Company is claiming the sum of $3,779,334 in addition to the $6,600,000 already received under an Agreement with the Government of the Province of Newfoundland whereby the Government acquired the principal assets of the linerboard mill project at Stephenville, Newfoundland, and associated wood harvesting operation in Goose Bay, Labrador, and assumed liabilities in connection with the project. The foregoing amount of $3,779,334 represents expenditures and advances made by the Company which in the opinion of management were reasonably necessary for the establishment of the project or liabilities which in the opinion of management, the Government is required to assume pursuant to the Agreement. The Government contends that these and certain other expenditures and advances may not have been reasonably necessary for the establishment of the project, or are otherwise excluded by the Agreement and has denied liability for payment of this amount pending receipt of further documentation or evidence. The Company contends that, under the terms of the Agreement, the full amount of $3,779,334 is arbitrable and payable under the Newfoundland Judicature Act. Notice of arbitration has been filed and a company arbitrator has been appointed. The Government notified the Company that it considered the notice of arbitration to be defective and refused to appoint its arbitrator. Upon application made by the Government of Newfoundland in 1976, the Supreme Court of Newfoundland, by judgment dated October 4, 1976, rejected the position of the Government and ruled that it should appoint its arbitrator forthwith and proceed with the arbitration.

On December 13, 1976, Government representatives advised the Company that the Government intends to proceed with the arbitration and to name its arbitrator. On February 8, 1977, it was agreed between representatives of the Company and the Government that the Company would present further documentation and evidence relating to the items in dispute prior to the commencement of formal arbitration proceedings, with a view to removing some or all of the items in dispute.

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

Although the Company is hopeful of receiving the entire claim, there is no assurance it will do so and accordingly has provided an allowance for possible uncollectability of the account in the estimated amount of $700,000.

NOTE 6: JULIENNE LAKE

On November 15, 1960, the Company leased the Julienne Lake Area of 1.29 square miles in Labrador from Newfoundland and Labrador Corporation Limited (a 98.1% owned subsidiary) for a period of 99 years. In June 1975 the Newfoundland Legislature passed 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 Act expressly provided that the property was being expropriated, with the provision for payment of compensation to a maximum of $750,000. The Company's investment in the Julienne Lake property is $3,549,271. The expropriation is at present the subject of litigation.

On December 31, 1975, an action was filed in the Federal Court of Canada on behalf of the Company, Newfoundland and Labrador Corporation Limited, and Dominion Jubilee Corporation Limited, seeking a declaration that the Julienne Reversion Act and the Newfoundland Mining and Mineral Rights Tax Act of 1975 are invalid and ultra vires, seeking specific performance by the Province of its obligations to the Company in connection with the Julienne Lake Deposit, and injunctive relief to enjoin the Province from using confidential information furnished it by the Company, and from mining the iron ore in the Julienne Peninsula, and seeking reimbursement of all sums paid as a result of the imposition of the 20% tax under the Mining and Mineral Rights Tax Act and damages for breach by the Province of its contractual and statutory obligations, the expropriation of the Julienne Lake deposit and its wrongful acts including the conversion of confidential information. The Federal Court of Canada decided on May 31, 1976, that it did not have jurisdiction to hear this matter. The Company has appealed this decision.

In the event that its appeal is dismissed, it is the intention of the Company to commence similar action before the Supreme Court of Newfoundland.

It is management's and counsel's opinion, although the matter is not free of doubt, that Canadian Javelin Limited will ultimately be successful, either in the Federal Court of Canada or before the courts of Newfoundland, in obtaining damages, although the amount of these cannot now be predicted with any precision.

Due to the uncertainty with regard to realizing the Company's investment, (1975 – $3,506,075; 1976 – $3,549,271), in the Julienne Lake property, an allowance of $2,799,271 has been provided for in the current year to write off the difference between the investment in the project and the maximum amount of consideration to be allowed.

NOTE 7: REPUBLIC OF PANAMA BONDS

On August 27, 1975, an agreement was signed with the Government of Panama regarding payment by that Government for the Cerro Colorado mineral rights and assets. The agreement provided for a total consideration of $23,600,000 (U.S.). Of this amount, an initial cash payment of $5,000,000 (U.S.) was made concurrently with the signing of the agreement. The balance of $18,600,000 (U.S.) was paid in the form of a single series of eight percent tax-free direct obligation bonds of the Republic of Panama in the principal amount of $18,600,000 receivable in quarterly payments of varying amounts of principal and interest, no one of which is less than $465,000 per quarter year and no one of which is more than $471,000 per quarter year inclusive of principal and interest, i.e. a constant amount of approximately $1,870,000 annually to be paid over a 20 year period, in liquidation and payment of both principal and interest in full.

The unredeemed balance of the foregoing bonds has been pledged with Banque National de Paris as collateral for a subsidiary's loans in the amount of $1,816,575, at December 31, 1976, ($1,020,000 at December 31, 1975). (See also Note 10).

NOTE 8: INVESTMENT AND ADVANCES IN ASSOCIATED COMPANIES

Company	1976	1975
(a) Dominion Jubilee Corporation Limited (See Note 24) (Including advances of $390,683 and $346,752 in 1976 and 1975 respectively) ..	$2,372,832	$2,328,901
(b) Norlex Mines Limited (Including advances of $508,316 and $509,944 in 1976 and 1975 respectively)	707,092	708,720
	$3,079,924	$3,037,621

(a) Dominion Jubilee Corporation Limited's principal asset is its wholly owned subsidiary Jubilee Quebec Holdings Limited. Jubilee Quebec Holdings Limited is in the exploratory and development stage of its operation and its principal assets consist of mining rights and leases and of accumulated exploration and development expenses related thereto. The Company's investment in Dominion Jubilee Corporation Limited is carried at cost because, while the Company had and contends it has shareholder voting control of Dominion Jubilee Corporation Limited (See Note 24), management control was and is exercised by management in conflict with management of the Company.

Of the 5,382,536 shares of Dominion Jubilee Corporation Limited issued and outstanding at both December 31, 1976, and December 31, 1975, 1,786,585 shares (33%) were held by the Company. The activities of Dominion Jubilee during the years 1975 and 1976 have no material effect on the Company's financial statements.

Of the 1,786,585 Dominion Jubilee shares owned by the Company, 899,993 shares are held in escrow.

(b) Norlex Mines is in the exploratory and development stage of its operations and its principal assets consist of mining rights and leases and of accumulated exploration and development expenses related thereto. The Company carries its investment in Norlex Mines on the cost basis. Of the 6,073,163 shares of Norlex Mines Limited issued and outstanding at both December 31, 1975, and December 31, 1976, 1,097,400 shares (18%) were held by Javelin. Of the foregoing shares 435,000 shares are held in escrow. The activities of Norlex Mines during 1975 and 1976 have had no material effect on Javelin's financial statements.

NOTE 9: INVESTMENT AND ADVANCES IN NON-CONSOLIDATED SUBSIDIARIES

(i) Gordon Holdings Limited is a 55% held subsidiary of Bison Petroleum & Minerals Limited, a 61.2% owned subsidiary of the Company. (See Note 24). Gordon Holdings Limited is engaged in commercial real estate operations.

(ii) Bison Brewing Company Limited has ceased commercial operations and has sold its major assets. However, it has instituted an action against the Town of Stephenville, Newfoundland, and Harmon Corporation in the amount of $140,000, plus special damages.

	Investment and Advances		Accumulated Loss		Net Investment and Advances	
	1976	1975	1976	1975	1976	1975
Gordon Holdings Limited	$ 58,340	$ 54,285	$ 23,825	$ 20,191	$ 34,515	$ 34,094
Bison Brewing Company Limited	$ 947,298	$938,623	$796,098	$796,098	$151,200	$142,525
	$1,005,638	$992,908	$819,923	$816,289	$185,715	$176,619

NOTE 10: SHORT-TERM BORROWINGS

	1976	1975
Bank Loans – Secured (See Note 7)	$1,816,575	$1,020,000
Other	–	625,000
	$1,816,575	$1,645,000

The average of the month-end borrowings during the year 1976 was $2,282,360 and for the year 1975, $1,527,083. The highest of the month-end borrowings during the year 1976 was $4,125,000 and for the year 1975, $2,025,000.

The weighted average interest rate on aggregate short-term borrowings, as determined by dividing interest expense applicable to short-term borrowings by the average month-end borrowings, was 12% for 1976 and 13% for 1975.

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

The following is a functional summary of property, plant and equipment at cost: –

	1976	1975
Land	$ 18,000	$ 18,000
Buildings (See also Note 12 (b))	133,944	133,944
Machinery and Equipment	728,933	542,119
Automobiles and Trucks	54,496	90,188
Office, Engineering and Production Equipment	616,208	582,152
Furniture and Fixtures	18,025	15,895
Leasehold Improvements	48,721	45,079
Property, Plant and Equipment at Cost	$1,618,327	$1,427,377
Less: Accumulated Depreciation and Amortization	995,150	958,440
	$ 623,177	$ 468,937

Depreciation and amortization of property, plant and equipment charged to operations aggregated $58,906 in 1976 and $57,503 in 1975.

Notes to Consolidated Financial Statements

Continued

NOTE 12: LONG-TERM DEBT

	1976	1975
Central States Pension Fund (a)		
7% due August 1978	$ 530,250	$ 841,500
6½% due January 25, 1979	1,136,250	1,657,500
8½% due June 22, 1978	392,778	661,111
Royal Trust Company (b)		
12% due July 15, 1981	$ 117,295	$ –
9½% due January 1977	–	42,685
Other		
Non-Interest Bearing with no maturity date	$ 4,090	$ 4,090
	$2,180,663	$3,206,886
Less: Debts Maturing Within One Year, Included in Current Liabilities	1,076,543	1,123,130
	$1,104,120	$2,083,756

(a) Secured by an assignment of royalties from Wabush Mines with quarterly payments of $U.S. 264,815, plus accrued interest.

(b) Mortgage payable secured by real property carried at cost ($133,943), repayable at the rate of $1,702 monthly including interest. (1975 repayable at the rate of $771 including interest).

The amount of long-term debt maturing within five years is as follows: –

1977	$1,076,543
1978	953,293
1979	138,250
1980	15,000
1981	18,000

NOTE 13: CONTINGENT LIABILITIES

(a) The Company may be contingently liable in the approximate amount of $1,000,000 and may become contingently liable for any additional amounts paid, as a result of a third party demand made on the Company by the Receiver General for Canada relative to an alleged liability of Mr. John C. Doyle to the Department of National Revenue. The monies ($1,408,014) shown in the account as owing to this shareholder by a subsidiary company exceed the amount of the contingent liability.

B. Mr. John C. Doyle has made a demand upon a subsidiary, Javelin Export Limited and the Company for payment of his account, plus interest, in an amount of $1,350,000 in excess of the figure provided for in the accounts. This claim at December 31, 1975, was for an amount of $2,458,778 and has been subsequently revised and reduced to an amount of $1,350,000 as at December 31, 1976. If the company is not successful in resolving the dispute, at the figure provided for in the accounts, a liability could be incurred for all or part of the foregoing amount, no provision for which has been made in the accompanying financial statements.

(c) The Company's records have been reviewed by Federal Taxation authorities up to and including 1974. Final determination of all matters arising therefrom has not yet been made nor has an assessment been issued. The Company has, however, been informally advised that Revenue Canada is contemplating assessing the Company on revised taxable income for 1974 which, if confirmed, might result in a tax liability of approximately $1,300,000. The contemplated assessment would include items which management considers are not of a taxable nature, and to the extent that in its view non-taxable items are included, the Company plans to formally object to the assessment, when and if issued. The Company believes, based on the opinion of tax counsel, that the taxable base as presently contemplated for assessment by Revenue Canada, will be substantially reduced upon final determination.

Accordingly, the Company has recorded a liability for income taxes in the amount of $200,000 which it considers will be sufficient.

(d) (See Note 15 – Litigation)

NOTE 14: COMMITMENTS

(a) Javelin Export Limited, a wholly-owned subsidiary of the Company, has entered into a 10 year consulting contract with Mr. John C. Doyle, which commenced April 1975, at an annual fee of $125,000 U.S. However, the fee for the last 5 years of the contract will be increased in the proportion that the Canadian cost of living index increases between 1975 and 1980. The Company has guaranteed this contract.

(b) The Company has entered into the following minimum rental agreements: –

	December 31, 1976	December 31, 1975
Office Leases for 1976	$ –	$61,520
Office Leases for 1977	54,080	15,860
Office Leases for 1978	12,080	–

Rent expense for the year 1976 for leased office space was $86,353 ($103,964 for 1975). Javelin has no significant financing leases.

NOTE 15: LITIGATION

(a) *Bonime v. Canadian Javelin Limited, John C. Doyle and William M. Wismer:*

A Class Action commenced in the United States District Court for the Southern District of New York in December 1973, on behalf of purchasers of the Company's shares during an unspecified period. On July 9, 1975, the court fixed the class as those who purchased the Company's stock between April 30, 1969, and October 25, 1973. On October 17, 1975, the Company entered into a stipulation of settlement for $1,350,000 (Out of which legal fees of plaintiff are to be paid in an amount to be fixed by the court), and further requiring the Company to bear all expenses of implementation and payment.

Pursuant to a resolution of the board of directors, Messrs. Doyle and Wismer are entitled to call upon the Company for indemnification of their liability.

On June 30, 1976, the court issued its opinion and on August 9, 1976, entered its order and judgment approving the settlement, and further ordered the Company to pay out of its royalties into a settlement fund, five unequal quarterly instalments commencing November 1976, and to be completed November 1977, when the full sum of $1,350,000 is to be paid in, except that if the order and judgment becomes final through expiration of time to appeal therefrom, or from any order on an appeal, the entire amount of the settlement must be paid into the fund within ten days. If the Company comes into sufficient financing to pay the entire amount of the settlement into the fund before November 1977, it must do so.

All instalment payments into the fund are to be held in escrow until the order and judgment becomes final as above described, at which time the fund and all interest thereon is to be paid over to the attorneys for the plaintiffs for distribution to the class.

Certain appeals were taken from the said order and judgment. On April 6, 1977, on the appeal brought by a Samuel Sloan, the United States Court of Appeal of the Second Circuit affirmed the order and judgment. Another appeal has been withdrawn and dismissed and another was withdrawn with a stipulation permitting renewal after further hearings in the district court on the claim of that appellant which had not yet been held.

The Company has provided for the full settlement of $1,350,000 and has recorded this as an extraordinary charge against income in the current year. In 1976 $175,000 was deposited into the settlement fund in trust, and to date in 1977 an additional $225,000 has been deposited in said fund.

b) *Lurie, et al v. Canadian Javelin Limited, et al:*

An action was filed December 7, 1973, in the Circuit Court of Cook County, Illinois, purporting to be a Class Action on behalf of all purchasers of common stock of the Company on or after June 1, 1973. The Complaint alleged violations of the Securities Act of 1933 and Illinois common law and seeks damages in an unspecified amount.

A stipulation of settlement has been entered into between the defendants and the Company and the plaintiff pursuant to which a Class consisting of those who purchased Canadian Javelin Limited shares between November 1, 1969, and December 19, 1974, who suffered a loss thereby, and (1) were not included in the definition of the class in Bonime (Note 15 (a)), or (2) were included in the Bonime Class but who requested to be excluded from that Class, or (3) were members of the Class certified in Bonime who submitted a proof of claim for participation in the Bonime settlement which was rejected without proper notice to the claimant of his right to a hearing, or (4) who purchased Javelin common stock during the period from October 25, 1973, to December 19, 1974, provided these (Clause 4) purchases were by or for the benefit of persons who on the date of purchase were residents of the United States, its territories or possessions. Insiders as defined in the stipulation are excluded from the settlement.

Each Lurie class member who has sustained a loss will, if the settlement is approved by the court and the judgment of approval becomes final, be entitled to receive from the defendants a sum computed by multiplying the gross loss he has sustained under the formula set out in the stipulation by a factor which will be determined by the amount of the recognized losses determined as having been suffered by those filing claims in the Bonime action and dividing that amount into the amount remaining in the Bonime settlement fund (after deduction of attorney's fees) for distribution to the class, to arrive at the pro rata recovery of Bonime class participants.

The formula for determination of gross loss of Lurie Claimants will be the difference between purchase price and the greater of the sales price of the shares or the price of the shares on certain dates on the American or Montreal exchanges depending on the date of purchase, and profits from the sale of shares must be deducted from losses. In addition, the court will set a reasonable attorney's fee to be paid by defendants. The amount of the payments to the attorneys cannot be determined at this time and no provision has been made in these statements for such amounts. Pursuant to a resolution of the Board of Directors, Messrs. Doyle and Wismer are entitled to call upon the Company for indemnification of their liability.

The Circuit Court held a hearing on April 8, 1977, to consider approval of the settlement stipulation, and on April 11, 1977, order and judgment approving this settlement. The stipulation further provides for injunctive relief against violation of the Securities Laws. Claims are now in the process of being filed with a May 16, 1977 deadline. In the opinion of Company counsel, considering the number of claims filed to date, a maximum liability to the Company will be $20,000 which has been provided for in the current year.

(c) *Lurie, et al v. Canadian Javelin Limited, et al:*

An Action filed December 5, 1973, in the United States District Court for the Northern District of Illinois, purporting to be a class action on behalf of all purchasers of common stock of the Company on or after November 1, 1969. The complaint alleges common law fraud and violations of the Securities Exchange Act of 1934 and the Illinois Securities Law. The action seeks damages in an unspecified amount or, in the alternative rescission of share purchases, together with preliminary and permanent injunctive relief. The action is in the early stages.

No class has as yet been certified in this action. The settlement stipulation in the Lurie Circuit action (See Note 15 (b)), provides that upon approval of that settlement stipulation, plaintiffs will apply for discontinuance of this action in the United States District Court, and therefore on February 7, 1977, the District Court stayed further proceedings in the case.

(d) *Bilan Realty Corporation, et al v. Canadian Javelin Limited, et al:*

On February 19, 1976, this action in the United States District Court for the Southern District of New York was brought by 29 purchasers of the Company's shares and names the Company and Messrs. Doyle and Wismer as defendants. The plaintiffs allege a scheme to inflate the price of the Company's common stock. Damages are sought in an unspecified amount. The defendants have denied allegations. The action is in the preliminary stage, and by consent, the court has placed the case on an inactive status.

(e) *Goldstone v. Canadian Javelin Limited:*

An action was instituted in New York State Court to recover either 80,000 shares of common stock of Dominion Jubilee Corporation Limited, an associated company, or its value, as compensation for legal services. The action is pending since 1969 and has been inactive for more than three years. The Company disputes the claims and it is the opinion of Company counsel that the action is without merit.

(f) *Robert A. Semonian v. John C. Crosbie, et al:*

An action instituted in October 1974, in the United States District Court of Massachusetts names the Company as a technical defendant. The suit is against the Government of Newfoundland for the recovery of amounts allegedly due the Company in connection with the sale of the Linerboard Project and in addition, for damages for depriving the Company of interests in the Province of Newfoundland. The court on August 5, 1976, stayed further proceedings in this action pending resolution of the application of the Government of Newfoundland to the Supreme Court of Newfoundland. (See Note 5).

(g) *Canadian Javelin Limited, et al v. Golden Eagle:*

On January 18, 1974, the Company and its wholly-owned subsidiary, Javelin Forest Products Limited, commenced an action in the Superior Court District of Montreal, Province of Quebec, against Golden Eagle Canada Ltd., seeking damages for defamation.

(h) *Canadian Javelin Limited v. Government of Canada, et al:*

On September 10, 1975, the Company and a number of its subsidiaries commenced an action in the Federal Court of Canada against the Government of Canada and certain members of the R.C.M.P. seeking to replevy documents seized by the R.C.M.P. and damages in the amount of $15,000,000. The Company discontinued this action on April 9, 1976.

(i) *Canadian Javelin Limited v. Government of Canada, et al:*

On October 17, 1975, the Company commenced an action in the Federal Court of Canada against the Government of Canada and certain members of the R.C.M.P., alleging that the defendants had defamed, slandered and libeled the Company and claimed damages in the amount of $350,000,000. This action was discontinued on April 9, 1976.

(j) *Canadian Javelin Limited v. John C. Doyle, W. H. Roxburgh, and H. Ducharme:*

On April 23, 1976, the Company brought an action against John C. Doyle, W. H. Roxburgh and H. Ducharme seeking damages in the amount of $1,452,500 (plus interest thereon since December 5, 1967) alleging that the principal amount was paid by the Company on that date to the Banque Romande, a Swiss bank, without the Company receiving any consideration therefor, as a result of breaches of obligation owing to the Company by the defendants.

On July 14, 1976, the Company filed an action in the Quebec Superior Court against John C. Doyle, W. H. Roxburgh and H. Ducharme for damages in the amount of $3,472,500 with interest, the amount alleged to have been lost by the Company in connection with the acquisition by the Company of rights to the Southern Timber Concession in Southern Labrador, resulting from breaches of obligation owing the Company by the defendants.

The defendants have moved for the dismissal of these two actions. Hearings on said motions have not yet been completed.

On November 22, 1976, the Company's board of directors constituted a select committee of three directors to investigate the foundation of the said actions. The select committee engaged special Canadian counsel to assist it in carrying out its mandate. Special Canadian counsel and the select committee are currently carrying out their investigations.

(k) *Company Management*

Following the meeting of the Board of Directors in Montreal on March 6, 1976, at which changes were made in the Company's management, several actions were brought in the name of certain former officers in the Superior Court, Montreal District, to attempt to reinstate former management. Management at that time brought counteractions in the same Court. On Friday, April 2, 1976, and by interim injunction enjoined certain members of prior management from engaging in executive actions. A purported meeting of Directors on March 15, 1976, in San Salvador was declared of no legal effect. This decision is under appeal.

Boon Strachan Coal Co. and John C. Doyle obtained an order in the Superior Court for the District of Montreal under Section 106 of the Canada Corporations Act for a meeting of the shareholders which meeting was held on July 30, 1976, and at which a new board of directors was elected by the shareholders to manage the affairs of the Company.

In October 1976 the interim injunction enjoining certain members of prior management from engaging in executive actions was vacated.

(l) *Minister of Consumer and Corporate Affairs v. Canadian Javelin Limited:*

Prior and subsequent to the July 30, 1976, meeting of Shareholders, various actions and proceedings were instituted relating to the compliance of such meeting with the rules and regulations of various regulatory agencies, including an unsuccessful attempt by special S.E.C. Compliance Counsel appointed under an S.E.C. consent decree, to intervene on behalf of U.S. stockholders in Canadian Courts.

There is an action by the Minister of Consumer and Corporate Affairs in relation to the July 30, 1976 meeting of shareholders. The Minister of Consumer and Corporate Affairs (Canada) took action on or about July 28, 1976 by way of a Motion for an Order of Compliance under the Canada Corporation Act against Canadian Javelin Limited, John C. Doyle, Boon Strachan Coal Company Limited and Michel Robert. The Minister's motion was denied by Judgment of the Superior Court dated July 29, 1976. On or about August 4, 1976, the Minister inscribed in Appeal from the said judgment. Hearing on the said appeal is not expected before September of 1977.

(m) *Quebec Securities Commission v. Canadian Javelin Limited:*

On or about September 16, 1976, a complaint was filed by her Majesty the Queen acting on behalf of the Quebec Securities Commission against the Company arising out of the Company's alleged failure to file financial statements with the Quebec Securities Commission for the year ended December 31, 1975, and for the period ending June 30, 1976. A Plea of Not Guilty has been entered on behalf of the Company. Trial has been fixed for November 14, 1977.

(n) *The Government of Newfoundland v. Canadian Javelin Limited:*

On July 16, 1976, the Province of Newfoundland commenced an action against the Company in the Supreme Court of Newfoundland. The Statement of Claim alleges that there is due to the Province of Newfoundland the sum of $532,153, general damages, and costs. The Company is defending the action. The sum claimed relates to the Company's Wabush Project and is divided into two separate and distinct items.

The sum of $338,880 is claimed in virtue of The Government – Javelin Taxation (Confirmation of Agreement) (Amendment) Act, 1960, as additional royalty due because of an increase in the Lake Erie price of iron ore. The Province alleges that the Lake Erie price increased during 1975 and that it was entitled to additional royalty totalling $338,880 with respect to shipments of iron ore concentrates during 1975.

The sum of $193,273 is claimed in virtue of The Mining and Mineral Rights Tax Act, 1975. The Province alleges that the Company made royalty payments to Knoll Lake Minerals Limited on July 29, 1975, December 12, 1975 and February 6, 1976, under circumstances which required the Company to withhold a total of $193,273 and remit that sum to the Minister of Finance pursuant to Sec. 11(3) of said Act.

If the allegation by the Province that it is entitled to recover from the Company additional royalty with respect to shipments of iron ore concentrates during 1975 is upheld by the Courts, the Province may seek to recover additional royalty totalling $831,394, with respect to shipments of iron ore concentrates during 1976. Provision has been made in the financial statements with respect to the amounts of $338,880 and $831,394 (forming the total amount of $1,170,274) which may be due as additional royalty for 1975 and 1976.

If the Courts uphold the allegation by the Province that it is entitled to recover from the Company amounts which the Company ought to have withheld from royalty payments made to Knoll Lake Minerals Limited and remitted to the Province, the Province may seek to recover an additional sum totalling $345,577 with respect to further royalty payments made to Knoll Lake Minerals Limited during 1976. No provision has been made in the financial statements with respect to the amounts of $193,273 and $345,577 (forming the total amount of $538,850) which may be due for 1975 and 1976 in this regard, as the Company, if obliged to make this payment to the Province, could avail itself of an equivalent deduction from the taxes which it is otherwise required to pay pursuant to the Mining & Mineral Rights Tax Act to the Province, offsetting the contingent liability of $538,850.

Notes to Consolidated Financial Statements

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In a separate action, (See Note 6), the Company is seeking a declaration that The Mining & Mineral Rights Tax Act, 1975, is invalid and ultra vires, and reimbursement of all sums paid as a result of the imposition of the 20% tax under the Act.

(o) *Limerick v. Subsidiary of Canadian Javelin Limited:*

The action of Limerick against one of the Company's subsidiaries was discontinued and settled with no payment to Limerick, and each party paying its own costs.

(p) *Securities and Exchange Commission v. Canadian Javelin Limited et al:*

In November 1976 the Securities and Exchange Commission commenced a civil action, and in February 1977 filed therein an amended complaint against the Company, John C. Doyle, Raymond Balestreri, a Director and President of the Company, P. J. DeSantis, Company Treasurer, and General Allard, and Messrs. Paredes and Fournier, Directors of the Company, in the United States District Court for the District of Columbia, claiming violations of the Securities and Exchange Act of 1934, Sections 10, 13, and the rules and regulations thereunder, alleging that the Company had not timely filed reports required under the Act, and that reports filed from 1973 to the time of the filing of the amended complaint were false, misleading, and omitted to state facts necessary to make the statements made not misleading, in that the reports, among other things, failed to disclose the inability of the Company or its outside auditors to account for or determine whether the Company had received value for the payment of $700,000 to Owl Investments Limited under a 1972 contract, to account for payment of $6,500,000 to the road contractor and other expenditures in connection with the road to the Cerro Colorado project, the repudiation of a former officer of his 1974 verification of the road costs relied on by the outside auditors in their certification of the Company's 1973 financial statements, and his 1976 assertion that his inspection indicated a road cost not in excess of $1,300,000 (See Note 16 (a)), the payment of a $733,974 refund on the road contract applied on the same day towards the purchase price of properties in Honduras and El Salvador, the main component of which had allegedly been previously offered to the Company for $25,000 (See Note 16 (b)), that the Company did not maintain sufficient auditing controls to ensure proper expenditure of corporate funds, and that the representation made in its financial statements that generally accepted accounting principles were being followed was not true in a number of respects, including allegations that the Company incorrectly recognized extraordinary income of $419,350 in 1973, and $155,808 in 1974, that there was no provision in the 1975 financial statements for a $1,350,000 settlement of a stockholders action agreed to by the Company in 1975 and approved by the court in 1976 (See Note 15 (a)), and for $2,756,000 representing the excess of the amount provided for by the Julienne Lake Expropriation Legislation (See Note 6). The Securities and Exchange Commission in the action seeks to enjoin the defendants from violations of the Exchange Act, to compel the filing within seven days of a court order of the Company's 1975 10K report, and 1976 10Q reports, and the appointment of a special master to inquire into and examine the books and records of the Company, its affiliates and subsidiaries in order to render a correct accounting of the Company's position. No monetary damages from the Company is sought.

The Company and the individual defendants are vigorously contesting the action, and have moved to dismiss the amended complaint on the grounds that the complaint does not state a case of action under the Act, and that the court does not have jurisdiction over the subject matter. The action is in the preliminary stages and should the case not be disposed of on preliminary motions, the Company intends to contest the case on the merits.

(q) *William H. MacPherson v. Canadian Javelin Limited:*

On November 24, 1976, a former officer and director of a subsidiary of the Company caused to be served an action claiming $336,713 resulting from loss of office. The Company has filed a contestation to the action and in the opinion of management and Company counsel the claim is grossly exaggerated.

(r) *Galkin v. Canadian Javelin Limited, et al:*

In March 1977 an individual and derivative shareholder suit was brought in the United States District Court for the District of Columbia against the same defendants as those named in the Securities and Exchange Commission action (See Note 15 (p)). The shareholder action makes certain of the allegations made in the Securities and Exchange Commission's amended complaint and further alleges that the proxy materials utilized by the Company in connection with its 1974 and 1975 Annual Meetings were false, misleading and ommitted material facts required to be stated therein, in order to make such materials not misleading in violation of the rules promulgated under the Exchange Act. The complaint also alleges that the July 30, 1976 Special General Meeting of Shareholders was held without dissemination of proper corporate information, in alleged violation of the Exchange Act. The complaint requests, among other things, that the 1974, 1975 and 1976 stockholders' meetings be invalidated, and that a receiver be appointed pending the election of directors at a Stockholders' meeting held after transmittal of information required by the

Securities and Exchange Act of 1934. The complaint also seeks monetary damages from the individual defendants and charges them with breaches of fiduciary duty and waste of corporate assets. No monetary damages are sought against the Company.

NOTE 16: OTHER MATTERS

(a) *Road Contract and Prepayment*

In 1973 the Company placed the proceeds from the issue of its Series "B" debentures in the amount of $6,500,000 with International Oceanic Construction Corporation as a payment on progress billings and prepayment of the balance of the contract price under a contract between the Company's wholly-owned subsidiary Pavonia, S.A. and International Oceanic for design and construction of a road from San Felix, Province of Chiriqui, R.P. to Pavonia's project site at Cerro Colorado. The contract was terminated in May 1974 at which time there remained a credit to Pavonia, in the amount of $1,821,450.

Subsequent charges for extras, equipment and other charges reduced this credit to $863,499 and after the application of a discount of 15% or $129,525 the net amount of $733,974 was received in cash on December 15, 1975. (See Note 15 (p)). The net proceeds were used as part of the payment for the acquisition of the properties in Honduras and El Salvador (See Notes 15 (p) and 16 (b)).

In March 1976 the Company's former outside auditors informed the directors that certain information had come to the attention of the auditors to the effect that irregularities had occurred in several aspects of this series of transactions. The information allegedly consisted of an allegation of a then officer and director alleging that the road costs did not exceed $1,300,000. A request was made by the previous purported Board of Directors on May 7, 1976 that these matters be investigated by a Federal Law Enforcement Agency, the results of which investigation, if it has been commenced, are not as yet known. A Select Committee of the present Board of Directors appointed on September 7, 1976, made an investigation of these transactions and obtained a certified financial statement of Almora, S.A. by a Panamanian Certified Public Accountant. The Select Committee reached the conclusion that the allegations of irregularity were without foundation and reported on October 1, 1976, its satisfaction with the substance and execution of the transactions including the contract and termination thereof. Notwithstanding the findings of the Select Committee and its report, the Company's former outside auditors reported that based on certain information of which they became aware, they were unable to satisfy themselves as to the propriety of these transactions and so indicated in their report on the Company's financial statements for the year ended December 31, 1975, and as a result of such information were unable to "determine the financial implications, if any, of any claims that may arise as a result of this information, nor its effect, if any, on the prior years'."

In February 1977 the Securities and Exchange Commission served an amended complaint on the Company, including allegations with regard to the road contract as detailed in Note 15 (p).

(b) *Honduras and El Salvador Acquisitions*

On December 15, 1975, the Company through subsidiaries, applied the funds received on that same date from International Oceanic Construction towards the acquisition of certain properties in Honduras and El Salvador whose purchase had been previously authorized by the Board of Directors on June 2, 1975, for a total consideration of $870,000. It was proposed by the interim board that the value of the properties should be questioned.

A Select Committee of the Board of Directors was formed by order of the Executive Committee on September 7, 1976, to carry out, among other functions (See Note 16 (a)), a detailed examination of the circumstances surrounding the acquisition of the foregoing properties, and reported on October 2, 1976, that it was satisfied that the transactions were regular and that the Company had received fair value.

The cost of the foregoing properties is included in "mineral and oil rights, leases and permits and concessions including development costs", for balance sheet presentation.

NOTE 17: CAPITAL STOCK

(a) *Stock Option*

Under the Company's 1970 Stock Option Plan 180,353 shares of the authorized capital stock are reserved for employees, officers and directors which options are exercisable from the date of grant until May 9, 1978.

The 1970 stock option plan is separated into two separate plans, (1) The U.S. Qualified Stock Option Plan intended for U.S. employees of Javelin and (2) Plan No. 2 intended for all others not entitled to options under the U.S. Qualified Stock Option Plan.

Under the U.S. Qualified Stock Option Plan 37,132 shares are reserved. The options are granted at a price not less than fair market value on the day of the grant. Under Plan No. 2, 143,221 shares are reserved. The options are granted at a price not less

Notes to Consolidated Financial Statements

Continued

than 85% of the fair market value of the stock on the date of the grant.

The Company's 1964 Stock Option Plan terminated during 1976.

Information as to share options granted and exercised under the 1970 Stock Option Plan both at December 31, 1976, and December 31, 1975, are shown on the accompanying schedule.

		Option Price U.S.		Market Value at Date of Grant	
Date Granted	Number of Shares	Per Share	Total	Per Share	Total
OPTIONS OUTSTANDING AT DECEMBER 31, 1975					
May 9, 1973	91,793	$ 7.00	$642,551	$ 8.25	$757,292
	10,610	8.25	87,532	8.25	87,532
May 1974	7,427	8.50	63,130	10.00	74,270
May 1975	9,549	3.72	35,522	4.35	41,538
OPTIONS OUTSTANDING AT DECEMBER 31, 1976					
May 9, 1973	49,889	$ 7.00	$349,223	$ 8.25	$411,584
	5,305	8.25	43,766	8.25	43,766
May 1974	3,183	8.50	27,055	10.00	31,830
May 1975	3,183	3.72	11,840	4.35	13,846
May 1976	3,183	1.91	6,080	2.25	7,162
OPTIONS EXERCISED				Market Value at Date of Exercise	
Year Ended December 31, 1973	409	$ 7.00	$ 2,863	$17.19	$ 7,031

(b) *Common Shares*

The changes in the number of common shares and the amount of the common share capital account during the two years ended December 31, 1976 are as follows: –

	Number of Shares	Amount
December 31, 1974	7,169,407	$42,589,787
Issued on conversion of the Company's 1973 debenture issue	241	3,000
December 31, 1975 and December 31, 1976	7,169,648	$42,592,787

(c) *Differences in Application of United States and Canadian Accounting Principles*

In 1973 a subsidiary of the Company issued capital stock to retire debt. The effect of 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 generally accepted accounting principles in Canada.

In accordance with generally accepted accounting principles in the United States, 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 an extraordinary income.

If generally accepted accounting principles of the United States had been followed, income and retained earnings as reported in 1973 would have been reduced by $419,350 resulting in a loss of $146,318 ($.02 per share) rather than an income of $273,032 ($.04 per share) and capital surplus would have increased by $419,350. Concomitantly in statements for periods subsequent to 1973, if generally accepted accounting principles 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 $419,350.

NOTE 18: PRIOR PERIOD ADJUSTMENTS

As a result of a change in the application of an accounting principle regarding foreign currency translation (See Note 1 (b)) and for an adjustment for an interest withholding tax reassessment applicable to the years 1970 to 1974, the balance of retained earnings as at December 31, 1974, previously reported as $4,063,469 has been restated as follows: –

(a) Retained earnings as at December 31, 1974, are increased by $53,568 representing the translation of foreign currencies at that date.

(b) Retained earnings as at December 31, 1974, has been restated to show a retroactive charge of $197,738 representing the amount by which withholding taxes as at December 31, 1974, have been increased.

The net effect of these two items is a reduction of retained earnings as at December 31, 1974, of $144,170.

The net loss as reported in 1975 of $3,107,390 has been restated to give effect to the following items: –

(i) The newly adopted method of accounting for foreign currency translation decreases the loss before extraordinary items by $217,729 ($.03 per share) and the net loss by $217,729 ($.03 per share).

(ii) The adjustment for prior years interest withholding taxes, relating to reassessments for the years 1970 to 1974 does not change the loss before extraordinary items and decreases 1975 extraordinary items and 1975 net loss by $197,738 ($.03 per share).

The total effect of the above items to restate the loss reported in 1975 is to decrease the loss before extraordinary items by $217,729 ($.03 per share) and the net loss by $415,467 ($0.6 per share).

NOTE 19: COST OF ROYALTIES EARNED

Included in Cost of Royalties Earned are the following: –

(i) Amortization Expense (See Note 1 (e) (i)) amounting to $628,909 in both 1976 and 1975.

(ii) Provincial mineral royalties and mining taxes.

(iii) The Company is obligated under the "Knoll Lake Mining Lease" to pay a royalty of $0.32 per ton on shipments from the Wabush Mine. These royalties are payable to Knoll Lake Minerals Limited, the shares of which are 39.4% held by the Company.

The Company and the Joint Venturers and Participants in the Wabush Mines Project have agreed that Knoll Lake will declare and pay annually, dividends equal to royalties received ($0.32 per ton) less appropriate deductions for expenses and income taxes. Accordingly, the Company will receive as an annual dividend 39.4% of the royalty paid, less such pro rata reduction, provision for which is made in the accounts annually on the accrual basis.

NOTE 20: INCOME TAXES

The lack of a provision for income taxes in 1976 is primarily attributed to: –

(i) The inclusion of non-taxable dividends from a Canadian Corporation in consolidated income.

(ii) The inclusion in consolidated income of income from foreign subsidiaries that is exempt from taxation in the foreign countries within which the income is earned.

(iii) The inclusion in consolidated income of receipts of money under the Javelin-Wabush Iron Contract which the Company considers to be exempt from taxation.

(iv) The inclusion in consolidated income of Royalties on which a 25% depletion allowance is allowed.

The provision for income taxes in 1975 was to provide for an estimated tax liability arising from a review by Federal Taxation authorities for years up to and including 1974 (See Note 13 (c)).

Income taxes on the undistributed earnings of subsidiaries have not been accrued because of the intent to reinvest such undistributed earnings within the subsidiaries themselves.

The amount of undistributed earnings of subsidiaries for 1976 was $910,316 (1975 – $322,281).

NOTE 21: EXTRAORDINARY ITEMS

	1976	1975
Losses resulting from termination or abandonment of projects:		
Panamanian Projects ...	$ –	$1,740,609
Other Projects ...	–	212,486
Settlement of "Bonime" Litigation (See Note 15 (a)) ...	1,350,000	
Allowance in Respect of Julienne Lake Investment (See Note 6) ...	2,799,271	–
	$4,149,271	$1,953,095

NOTE 22: MINING RIGHTS, ETHIOPIA

In 1972, Javelin through a subsidiary, Artena, S.A., acquired a mineral concession in Ethiopia in partial substitution for a timber concession acquired through Societe Transshipping (See Note 15 (j)). The cost of the mineral rights obtained and additional exploratory work completed since acquisition is $4,150,606 at December 31, 1976. ($4,045,436 at December 31, 1975).

On July 14, 1976, those exercising de facto control over the Board of Directors of the Company decided to immediately abandon the mineral concession with the potential resultant loss of all rights in Ethiopia. The present Board of Directors subsequently rescinded this decision and a further expert study and evaluation was undertaken, which resulted in a Company decision to continue exploration efforts on the concession in other areas. (See Note 15 (j)).

The concession is held under a comprehensive mining lease agreement with the Government of Ethiopia. Recently, the Company applied for a prospecting permit, which was granted on March 21, 1977 by the Ministry of Mines of the Government of Ethiopia, covering an area of 46,700 sq. km. located in the Province of Sidamo, Ethiopia, which includes the original concession areas plus substantial additional areas.

Since acquisition of the concession, the Company has made geochemical surveys, conducted metallurgical testing, prospecting, and exploration at depth on the concession properties. A report by W. G. Stevenson Associates Limited, consulting geologists, dated March 4, 1977, recommended further exploration by an Earth Land Satellite Program (ERTS) designed to locate ore bodies. The Company has adopted this recommendation and has developed a budget for ground follow-up and mapping thereafter. This program also formed the basis upon which the Ministry of Mines of Ethiopia granted the Company the prospecting permit. The prospecting permit does not convey mineral rights to the additional areas but if warranted as a result of the program, application for Mining Leases will be made to the Government. Upon completion of the ERTS Program the Company is obligated to commence drilling operations which will require significant expenditures. In the event the Company does not proceed with this Program the Government may have the right to terminate the concession.

NOTE 23: REMUNERATION OF DIRECTORS AND OFFICERS

The total remuneration paid by the Company to its directors and senior officers was $410,024 for the year ended December 31, 1976, and $439,925 for the year ended December 31, 1975.

NOTE 24: SUBSEQUENT EVENTS

Bison Petroleum & Minerals Limited and Dominion Jubilee Corporation Limited

Pursuant to a Judgment of the Supreme Court of Ontario, a court ordered Special General Meeting of Shareholders of Bison Petroleum & Minerals Limited was convened and held on March 16th, 1977 for the purpose of removing directors of Bison and electing a new Board of Directors to fill the vacancies thereby created. At the time of the court order, the Company was the beneficial owner of 2,587,284 of the 4,223,713 issued and outstanding shares of Bison. The Company was also the beneficial owner of 1,786,585 shares of Dominion Jubilee Corporation Limited. The total issued and outstanding shares of Dominion Jubilee was 5,382,536.

Pursuant to an Agreement dated February 22, 1977, Bison agreed to purchase from Dominion Jubilee all of the issued and outstanding shares of the latter's wholly-owned subsidiary, Jubilee Quebec Holdings Limited in consideration for the issuance by Bison of 3,276,287 shares of the capital stock of Bison, being all of the remaining authorized and unissued shares of Bison.

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

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

Legal proceedings have been commenced by the Company seeking to cancel the transactions hereinabove referred to. Subsequent to the judgment of the Supreme Court of Ontario ordering a Bison meeting, Bison instituted legal proceedings in the Supreme Court of Ontario seeking to cancel 1,440,000 shares of the capital stock of Bison issued in 1966 to the Company under a contract. An *ex parte* injunction obtained by Bison on March 4, 1977, to prevent the voting of these shares at the March 16, 1977, Bison Shareholders' Meeting was not continued by the court after hearing, and the shares were voted without objection at the Shareholders' Meeting. Based on available data, it is the opinion of counsel to the Company that Bison will not be successful in this action.

NOTE 25: TRANSACTIONS WITH RELATED PARTIES

The Company has made provision in its accounts for 1976 to reimburse Mr. John C. Doyle, a shareholder of the Company for legal and other expenses of $263,608 incurred by Mr. John C. Doyle from March 4, 1976, through July 30, 1976, in connection with the change in management, which occurred on March 6, 1976, as more fully explained in Note 15 (k).

Auditors' Report

To the Shareholders and Board of Directors of
Canadian Javelin Limited and Subsidiaries

We have examined the Consolidated Balance Sheet of CANADIAN JAVELIN LIMITED AND SUBSIDIARIES, as at December 31, 1976, and the related Consolidated Statements of Operations, Retained Earnings and Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the Financial Statements of certain subsidiaries, whose assets and revenues (exclusive of the investment in and revenue from the Panamanian Bonds) constitute 31% and 14%, respectively, of the consolidated totals. These statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for those subsidiaries, is based upon the reports of other auditors.

As disclosed in Notes to the Financial Statements, uncertainties exist as to the following matters and their effect, if any, on the financial position and results of operations of the Company:—

1) As disclosed in Note 13(b), a claim has been made against the Company and one of its wholly-owned subsidiaries by a stockholder. The outcome of this claim is not determinable at this time.
2) As disclosed in Note 13(c), a review by Canadian Federal Taxation authorities has given rise to a possible income tax assessment. The outcome of this matter is unresolved.
3) As disclosed in Note 15(p) and (r) the Company is involved in litigation alleging violations of United States Federal Securities Laws. The outcome of this litigation is uncertain.
4) As disclosed in Note 24, the Company's ability to control a 61% owned subsidiary is presently uncertain and must be established in order for the subsidiary to continue to be accounted for as a consolidated subsidiary.

In our opinion, based on our examination and the reports of other auditors, and subject to the matters referred to in the preceding paragraph and their effect, if any, these Consolidated Financial Statements present fairly the financial position of CANADIAN JAVELIN LIMITED AND SUBSIDIARIES as at December 31, 1976, and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change, with which we concur, in the method of accounting for the translation of foreign currency transactions as described in Note 1(b) to the Consolidated Financial Statements.

This report should be read in conjunction with the accompanying audit report of the former auditor, disclaiming an opinion on the Company's Financial Statements for the year ended December 31, 1975.

Montreal, Canada
March 25, 1977

ROSTON, REINHARZ, BRATT & CO.
Chartered Accountants

To: The Shareholders,
Canadian Javelin Limited.

We have examined the consolidated balance sheet of CANADIAN JAVELIN LIMITED and its consolidated subsidiaries as at December 31, 1975, and the consolidated statements of retained earnings, income and changes in the financial position for the year then ended.

Our examination of the financial statements of CANADIAN JAVELIN LIMITED and those subsidiaries of which we are auditors was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and other such auditing procedures as we considered necessary in the circumstances, except as set forth in the next to last paragraph. We have relied on the reports of other auditors who have examined the financial statements of those subsidiaries of which we are not auditors, the assets of which subsidiaries total approximately $26,515,000.

As described in various notes to the financial statements, uncertainties exist as to the following matters and their possible effect on the Company's financial position (I) Note 5 — The collection of the net balance, after reserve, from the Government of Newfoundland and Labrador in the amount of $3,079,334; (II) Note 6 — The ability of the Company to receive consideration of $2,756,075 in excess of the maximum consideration allowed by the expropriation legislation related to the Julienne Lake Property; (III) Note 22 — The realization of the Company's investment in the Ethiopian project of $4,045,436; (IV) Note 13a — The ability of the Company to avoid liability of $1,000,000 related to a third party demand; (V) Note 13b — The ability of the Company to avoid liability in the amount of $2,458,778 which may arise as a result of a demand on the Company; (VI) Note 15a — The absence of a provision for liability in the amount of $1,350,000 on settlement of the Bonime litigation; (VII) Note 13c — The ability of the Company to avoid liability for taxes on income of approximately $1,100,000 in excess of the amount provided for in the financial statements; (VIII) Note 24 — The ability of management to regain control of a subsidiary company, Bison Petroleum & Minerals Limited, the investment in which amounted to $3,919,875 at the date of the financial statements.

In view of the possible material effect on the financial statements of the matters discussed in the preceding paragraph, and the scope limitation set forth in the succeeding paragraph we are unable to express an opinion as to whether or not the accompanying financial statements present fairly the consolidated financial position of Canadian Javelin Limited and its consolidated subsidiaries as at December 31, 1975, and the results of their operations and changes in financial position for the year then ended.

Information of which we have become aware suggests that certain transactions referred to in Note 16, related to the years ended December 31, 1974, and December 31, 1973, may have been irregular. However, the assets affected in the course of these transactions have subsequently been disposed of, and the Company has received consideration approximately equal to the recorded costs of these assets. We have been unable to satisfy ourselves as to the propriety of these transactions, and accordingly we cannot determine the financial implications, if any, of any claims that may arise as a result of this information nor its effect, if any, on the prior years.

This report should be read in conjunction with the accompanying audit report on the Company's financial statement for the year ended December 31, 1974.

St. John's, Newfoundland
December 9, 1976

LEE & MARTIN
Chartered Accountants

Five Year Summary of Operations

DECEMBER 31, 1976 (In Canadian Dollars)

Revenue	1976	1975	1974	1973	1972
Royalties earned on Iron Ore and Oil Leases	**$ 7,052,024**	$ 3.873.763	$ 5.343.240	$ 4.352.557	$ 4.090.927
Sales of Crude Oil and Bullion	**1,539,741**	1.594.283	1.494.701	837.454	705.991
Interest and other	**1,579,592**	391.705	87.187	272.677	403.633
Income under Javelin-Wabush Iron Contract	**917,883**	493.089	694.202	565.448	531.251
	11,089,240	6.352.840	7.619.330	6.028.136	5.731.802
Costs and Expenses					
Cost of Royalties earned	**3,958,936**	2.351.553	2.390.027	2.065.416	1.923.579
Cost of Sales	**1,109,366**	992.108	867.146	593.432	509.780
Administrative and General	**4,396,834**	3.490.031	2.339.421	2.065.343	1.746.030
Marketing	**339,005**	292.047	263.554	363.292	376.180
Depreciation	**58,906**	57.503	42.916	24.720	47.580
Dry Hole Costs	**164,940**	79.696	–	12.011	490.101
	10,027,987	7.262.938	5.903.064	5.124.214	5.093.250
Operating Profit (Loss)	**1,061,253**	(910.098)	1.716.266	903.922	638.552
Other Expenses					
Loss on Unconsolidated Subsidiaries	**3,634**	3.233	61.084	98.225	669.939
Loss (Gain) on Foreign Currency Conversion	**149,145**	(217.729)	(58.387)	4.496	1.369.273
	152,779	(214.496)	2.697	102.721	2.039.212
Income (loss) before minority interest. income taxes and extraordinary items	**908,474**	(695.602)	1.713.569	801.201	(1.400.660)
Minority interest share of subsidiaries' profit (loss)	**3,551**	(156.774)	(31.275)	(29.520)	(459.978)
Income (loss) before income taxes and extraordinary items	**904,923**	(538.828)	1.744.844	830.721	(940.682)
Provision for income taxes	**–**	200.000	–	–	–
	904,923	(738.828)	1.744.844	830.721	(940.682)
Extraordinary Items (See Schedule A)	**(4,149,271)**	(1.953.095)	155.808	(569.757)	(424.405)
Net profit (loss) for the year	**$(3,244,348)**	$(2.691.923)	$ 1.900.652	$ 260.964	$(1.365.087)
Net income (loss) per share	**(.45)**	(.37)	.27	.04	(.21)
Shares (weighted average)	**7,169,648**	7.169.648	7.169.407	6.419.706	6.456.475

Stockholder Information

	1976	1975	1974	1973	1972
Approximate number of shareholders registered in their own names	**12,000**	12.000	12.000	12.000	12.000
Approximate number of shareholders registered in names which the Company believes to be nominees	**6,000**	6.000	6.000	6.000	6.000
Total registered shareholders	**18,000**	18.000	18.000	18.000	18.000
Average number of shares (in thousands)	**7,170**	7.170	7.170	6.420	6.456
Primary earnings (losses) per share before extraordinary items	**.13**	(.10)	$.25	$.13	$(.15)
Extraordinary gains (losses) per share	**(.58)**	(.27)	.02	(.09)	(.06)
Net earnings (losses) per share	**(.45)**	(.37)	.27	.04	(.21)
Stockholders' equity per share	**5.74**	6.19	6.57	5.87	5.78

Financial position (Canadian dollars in thousands)

	1976	1975	1974	1973	1972
Working Capital (deficiency)	**(3,822)**	(3.303)	3.665	(1.833)	4.862
Long term debt	**2,512**	2.909	7.274	12.979	5.794
Shareholders' equity	**41,165**	44.409	47.098	37.700	37.296

Common Stock Price Range (Montreal Exchange)

	1976		1975		1974	
	High	**Low**	**High**	**Low**	**High**	**Low**
1st quarter	**2.20**	**1½**	10⅞	6¼	8⅜	8¼
2nd quarter	**2.50**	**1½**	7⅝	3	9½	9¼
3rd quarter (July 22nd. 1976 shares suspended)	-	-	3¾	1⁴/₅	8¼	7⅞
4th quarter	-	-	3	1¾	7¼	7⅛

The principal markets for the Company's voting shares are Canada and the United States.

Management's Discussion and Analysis of the Summary of Operations of Your Company

Fiscal years ended December 31, 1976 and 1975

REVENUE – 1976 Compared to 1975

Gross revenues from all sources of the Company's operations for the year ended December 31, 1976, totalled $11,089,240, an increase of $4,736,400 from the year ended December 31, 1975.

The main component of this improvement was increased royalties earned on the Company's Wabush Property due to the resumption of normal shipments for all of 1976 following a year in which strikes and work stoppages affected shipments in 1975. During 1976 5,399,641 tons of iron ore were shipped compared to 3,206,765 tons in 1975. Royalty rates rose to $1.33212 per ton at December 31, 1976, compared to $1.22372 at December 31, 1975, an increase of $.10840 per ton. Revenue from the Javelin-Wabush Iron Contract increased in 1976 by $424,794 over revenues in 1975 as a result of the increased shipments of iron ore.

Gross sales from other sources declined marginally with increased revenues from the production of petroleum products being offset by a decline in bullion production.

Interest revenue from the Company's holdings of Republic of Panama bonds received in compensation for the expropriation of the Cerro Colorado property totalled $1,468,400 in 1976, an increase of $1,096,400 compared to 1975, since 1976 was the first full year the Company had held these bonds.

OPERATING EXPENSES

Operating Expenses for 1976 totalled $10,027,987, an increase of $2,765,049 over 1975.

Royalty expenses and mining taxes increased by $1,607,383 due to the increased shipments of iron ore from the Company's Wabush Property.

Administrative and General Expenditures increased by $906,803, which reflected for the most part increased legal costs due to various litigations.

Other costs of doing business have increased due to general inflationary conditions.

The Company has changed its method of accounting for foreign currency translation to a method more prevalent in the U.S.A. and Canada. Exchange gains and losses are given immediate recognition in income. In prior years unrealized gains and losses were deferred. The newly adopted method has been applied on a retroactive basis. As a result, 1976 income both before and after extraordinary items decreased by $149,145. Income in 1975 both before and after extraordinary items increased by $217,729.

EXTRAORDINARY ITEMS

The total amount of extraordinary items was $4,149,271 in 1976. Of this amount $1,350,000 was attributable to a settlement of the "Bonime" litigation. The remaining amount of $2,799,271 was an allowance in respect of the Company's investment in "Julienne Lake".

In 1975 $1,953,095 was written off due to termination abandonment or expropriation of the Company's Property.

INCOME TAXES

The lack of provision for income taxes in 1976 is attributed to the inclusion in income of items that are non-taxable, to the extent that taxable income for the year is Nil. The provision for income taxes in 1975 was to provide for an estimated tax liability arising from a review by taxation authorities for years up to and including 1974.

REVENUE – 1975 Compared to 1974

Gross revenue (mainly royalty income) from all sources of the Company's operations for the year ended December 31, 1975 totalled $6,352,840, a decrease of $1,266,490 from the year ended December 31, 1974.

The decline was primarily attributable to a decrease in royalty payments of $1,469,477 from the Company's Wabush Property, which was crippled by the effects of a lengthy strike by the Wabush-Port Cartier railway employees early in the year. This strike also adversely affected revenues by $201,113 from the Wabush Iron Contract.

Gross sales from other sources increased by $99,582, principally due to increased production of gold and silver ore from the Company's Minas San Cristobal properties in El Salvador.

Another source of the Company's revenues in 1975 came from interest on the Republic of Panama bonds paid to Canadian Javelin as compensation for the expropriation of the Cerro Colorado property. Net interest from such bonds for 1975 was $304,518.

OPERATING EXPENSES

Operating expenses in 1975 totalled $7,262,938, an increase of $1,359,874 over 1974.

Royalty expenses decreased by $38,474 due to reduced shipments from the mines and a proportionate increase of royalty recovery from Knoll Lake Mines. It must be noted that the Government of Newfoundland imposed a 20% mineral tax in 1975, which tax amounted to $751,651 for the year. This tax is being contested in the Canadian Courts.

Following world wide inflationary trends, cost of production and sales rose by $153,455. This amount included additional exploration costs at the Cerro Colorado property.

Administrative and general expenditures increased by $1,150,610 which for the most part reflected increased legal expenses due in part to the Cerro Colorado appropriations.

Other operating expenses incurred by the Company increased by $94,283 including a write-off of $79,696 for the drilling of a non-productive oil and gas well by Bison Petroleum & Minerals Limited.

EXTRAORDINARY WRITE-OFFS

Total write-offs for 1975 were $1,953,095 due to termination, abandonment or expropriation of the Company's property.

INCOME TAXES

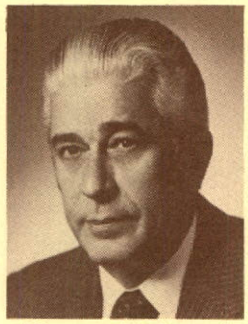
The Company's records have been reviewed by Federal taxation authorities up to and including 1974. Final determination of all matters arising therefrom has not yet been made nor has an assessment been issued.

The Company has, however, been informally advised that Revenue Canada is contemplating assessing the Company on revised taxable income for 1974 which if confirmed might result in a tax liability of approximately $1,300,000. The contemplated assessment would include items which management considers are not of a taxable nature, and to the extent that in its view non-taxable items are included, the Company plans to formally object to the assessment, when and if issued.

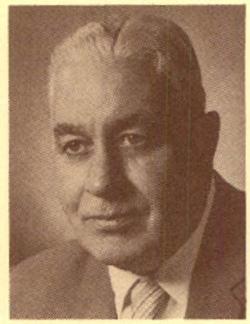
Accordingly, the Company has recorded a liability for income taxes in the amount of $200,000 which it considers will be sufficient.

Board of Directors

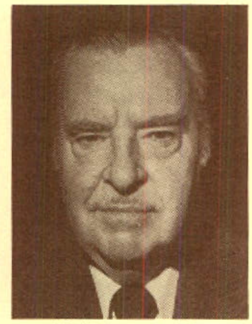
°‡General Jean V. Allard, (R'td), C.C., C.B.E., D.S.O.
President, Transbord Ltd.
Trois Rivières, Quebec



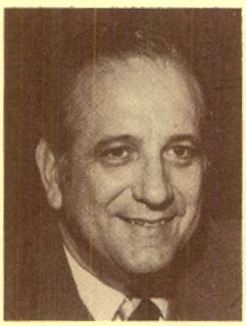
†Raymond Balestreri
President, Canadian Javelin Limited
Montreal, Quebec



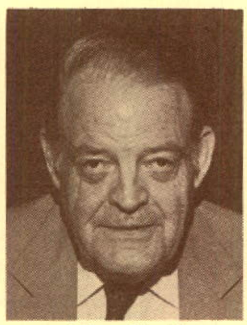
Honourable Senator Lionel H. Choquette, Q.C.
Barrister & Solicitor
Member of the Senate of Canada
Ottawa, Ontario



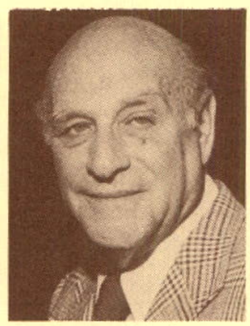
°‡†Honourable Senator Sarto Fournier, Q.C.
Barrister & Solicitor
Member of the Senate of Canada
Hull, Quebec



Carlos F. Jelenszky
President, Joyeria Riviera, S.A.
Panama City, Republic of Panama

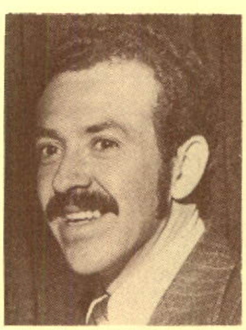


†Tore Korch
Managing Director of Sonitel, S.A.
Panama City, Republic of Panama

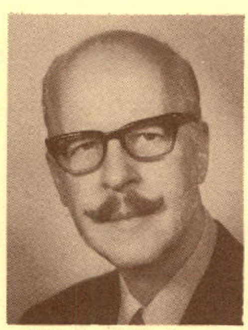


Ernesto Maduro
President, I. L. Maduro Jr., S.A.
Panama City, Republic of Panama

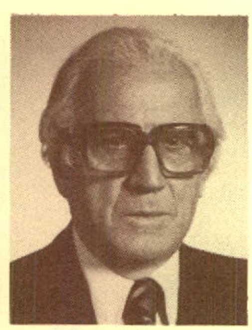
†Manuel J. Paredes
Director, Companie de LeFevre
Panama City, Republic of Panama



Federico Flamenco Rodriguez
Attorney
Santa Tecia, El Salvador



°*‡†Colin C. Rous
President, Rous & Matthews & Associates Ltd.
Montreal, Quebec



Pierre Warren
Chairman of the Board of Directors, Enheat, Inc.
Quebec City, Quebec

°Compliance Committee
‡Audit Committee
†Executive Committee
*Chairman, Executive Committee

Canadian Javelin Limited

Head Office and Executive Office
1115 Sherbrooke Street West, Montreal, P.Q. H3A 1H5

Newfoundland Office
Javelin House, St. John's, Newfoundland

Panama Offices
33 Avenida Federico Boyd, Panama, R.P.

David, Panama, R.P.

South American Office
Agustinas 1357 Santiago, Chile

Central American Office
Divisadero, Departamento De Morazan, El Salvador, C.A.

Export Sales Office
Kings Court, Bay Street,
P.O. Box N 3945
Nassau, Bahamas

Bermuda Office
P.O. Box 906, Wallis Building, Hamilton, Bermuda

Labrador Office
Wabush, Labrador

European Office
Palais de LaScala
Monte Carlo, Monaco

Ethiopian Office
P.O. Box 2459, Addis Ababa, Ethiopia

Executive Officers

Raymond Balestreri
President

Colin C. Rous
Vice-President

Julius Mallin
Secretary

P. J. DeSantis
Treasurer

Mrs. M. Stone
Ass't. Sec'y.

Subsidiaries

Artena, S.A.
Minera San Marcos
*Bison Petroleum & Minerals Limited
Gordon Holdings Limited
Oltenia, S.A.
Minerals Exchange and Sales Limited
Prairie West Exploration Limited
Rottenstone Mining Limited
Bison Petroleum & Minerals (B.C.) Limited

C.J.V. Holdings Limited

Chilian Limited Partnerships

Inter American Minerals Corporation

Javelin Bulkcarriers Limited

Javelin Export Limited

Javelin International, S.A.

Javelin Paper Corporation Limited
Javelin Forest Products Limited

Javelin Realties Limited

Julco Iron Corporation Limited

Minas San Cristobal, S.A.

Newfoundland and Labrador Corporation Limited

Pavonia, S.A.
Pavonia S. de C.V.
San Juan Copper Co. Limited

Affiliates

*Dominion Jubilee Corporation Limited

Knoll Lake Minerals Limited

Mid Can Exploration Limited

Norlex Mines Limited

Auditors

Roston, Reinharz, Bratt & Co.
Montreal, Canada.

Transfer Agents & Registrars

Canada: Canada Permanent Trust Company,
St. John's, Newfoundland; Halifax, N.S.;
Montreal, Quebec; Toronto, Ontario; Vancouver, B.C.

United States: The Continental Stock Transfer & Trust Company,
Jersey City, New Jersey.

Stock Exchanges

Listed on the American Stock Exchange, New York, N.Y.
(not traded since April 30, 1975);
Montreal Stock Exchange, Montreal, Quebec (not traded since July 28, 1976);
and the Vancouver Stock Exchange, Vancouver, B.C.
(not traded since November 22, 1976).

* See Note 24 to Consolidated Financials.

Upon application in writing the company will furnish each person receiving this annual report a copy of the company's annual report on form 10K filed with the United States Securities and Exchange Commission. Such application should be addressed to the Secretary of the company. The annual report on 10K will be furnished free of charge to stockholders. Financial statements and exhibits will be furnished upon request at the out-of-pocket cost to the company which cannot be estimated at this time.

The Company has not paid cash dividends during the past two years.

CANADIAN JAVELIN LIMITED

Incorporated under Federal Charter in June 1951

Printed in Canada