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The Delgratia Mining files: Two former executives of the Vancouver mining company claim they were forced out over a disagreement about a Nevada gold property. Delgratia's successor company is suing them for misappropriation of funds

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VANCOUVER - Two former executives of scandal-ridden Delgratia Mining Corp. claim in court documents they were forced out of the company through the behind-the-scenes activities of Terry Alexander and **Carlo Civelli**, two men with long histories in the Vancouver market.

In 1999, the executives say, they came under extreme pressure from Mr. Alexander and Mr. Civelli to disregard engineering reports that determined Delgratia's earlier test results had been salted, and instead to publicize a new report that purported the firm had found gold on the Josh property in Nevada.

The allegations arise from a lawsuit brought by Central Minera Corp. against the two men, Eric Xavier Lavarack, a former president and director of Delgratia, and David Rodger Manning, former vice-president of finance.

Central Minera, the successor company to Delgratia, has accused two former executives of misappropriating \$272,400 in company funds just before they stopped working for the company, a charge vigorously denied by both men.

They say they were legally entitled to the money as severance for their being forced out. The company's

statement of claim alleges the two executives made up the contracts that entitled them to the severance pay in their final days with the company.

The case was launched in May of last year, but key details of the suit remained sealed at the request of the company until last week. The firm had claimed the two men were in possession of privileged and confidential information that should not be revealed. Mr. Manning and Mr. Lavarack challenged the sealing order, and portions of the case have now been opened to the public.

Mr. Civelli and Central Minera are represented by Vancouver lawyer John Frank. He refused to comment on the case, other than to refer to the company's statement of claim for the \$272,400.

"It's all in the pleadings. I really don't want to add anything to that. This matter will be dealt with by the courts, and that's the appropriate way to deal with it," Mr. Frank said.

A message left for Mr. Alexander at his West Vancouver residence was not returned.

Mr. Alexander is a Vancouver businessman who was fined \$1.2-million last year by the B.C. Securities Commission and barred from the province's securities business for 20 years for his role in the Arakis Energy Corp. scandal.

Mr. Civelli, a Swiss businessman, is described in court documents as spokesman for a group of unnamed European investors. He has a long history in financing Vancouver companies.

The dispute between the former executives and Central Minera stems from the company's handling of the Delgratia salting scandal.

In March, 1997, Delgratia's stock hit a high of \$34.75 (US) on Nasdaq following the publication of strong drilling results from the Josh property. The stock then plummeted on revelations that drill samples had been salted -- or as the court documents sum up the engineering reports, "any [gold] detected had been introduced after drilling."

Charles Ager, then Delgratia's president, resigned and was replaced by Mr. Lavarack. A Delgratia news release later confirmed Mr. Ager's family trust beneficially owned half of Philgold Investments Inc., a company registered in the British Virgin Islands, which had sold Delgratia a stake in the Josh property.

Shareholders launched a class action following the collapse. A tentative settlement was reached in the case in December, 1998. Plaintiffs would receive \$500,000 and 2.5 million common shares in the company.

Last February, Delgratia changed its name to Central Minera in a bid to move beyond the salting scandal. The company, delisted from Nasdaq in 1997, now trades on the over-the-counter bulletin board.

By 1999, it looked as if Central Minera could look forward to a more reputable future searching for gold in Mexico and Nicaragua. But, according to Mr. Manning's affidavit, Mr. Alexander and Mr. Civelli were keenly interested in the Josh site.

As early as February, Mr. Manning states that Mr. Lavarack had been telephoned by Mr. Civelli and Mr. Alexander, who said that Mr. Ager was "finding gold in Nevada." Mr. Manning then states that in March, Mr. Alexander talked of going to Nevada with "top experts" to check out information that Mr. Ager was supposed to have regarding the property.

According to Mr. Manning, the pressure really started in April. He claims Mr. Civelli phoned from Switzerland on April 8 to suggest Central Minera put off settling the class action lawsuit and hire an engineer from Saskatchewan to look into Mr. Ager's information.

In what he describes as a business-like conversation, Mr. Manning reminded Mr. Civelli that previous engineering reports had confirmed there was no gold at Josh and the company had already publicly agreed to settle the class action.

Mr. Manning says things grew tense the next day. Mr. Alexander entered Mr. Manning's office and demanded he hire the Saskatchewan engineer. Mr. Manning refused. "We had worked hard to regain some credibility back for the company and it would be wiped out if we started working down there [in Nevada]," the affidavit states.

Mr. Manning says Mr. Alexander became furious at his refusal, even though Mr. Alexander, who had once been a president and early promoter of Delgratia, was not a company officer or director at the time of the conversation.

Mr. Manning says Mr. Alexander described himself in a subsequent phone call as the owner of one million shares of Central Minera, but said he had approached Mr. Manning as the "go-between" for Swiss investors.

Mr. Manning's conversation with Mr. Alexander was followed by another with Mr. Civelli. This time, the Swiss businessman was less civil. The affidavit states Mr. Civelli told Mr. Manning that his concerns were just "bullshit" and that "the Europeans" were not happy with the way the executives were running the company.

Mr. Manning claims the pressure continued in subsequent communications. A draft report from the Saskatchewan engineer Lawrence Melis was prepared, though Mr. Manning claims that it contained "no

independent data."

Mr. Civelli wrote Mr. Manning a letter suggesting that if gold could be found at Josh, the class action lawsuit would be invalid. Again, Mr. Manning disagrees. "This was not what the lawyers had told us -- the plaintiffs alleged disclosure issues against the company whether there was gold or not."

Things became more tense when Mr. Manning learned that a copy of the Melis report -- the one Mr. Manning chided for containing "no independent data" -- was apparently leaked to one of the plaintiffs in the class action. Then, court documents state, Mr. Lavarack received a fax from Reinhard Siegrist, a company director with ties to Mr. Civelli, demanding the lawsuit settlement be halted and the Melis findings be reported.

On April 29, Mr. Manning and Mr. Lavarack spoke with Mr. Alexander by telephone. Mr. Lavarack had suggested that if any engineering firm was hired to take another look at Josh, it should be Strathcona Minerals, the same company that had produced the definitive analysis of the Bre-X samples. Mr. Alexander said Strathcona would be too expensive, but Mr. Lavarack countered that Strathcona would do the job for \$100,000, which was the suggested budget.

But Strathcona would not get anywhere near the Josh property.

"Terry Alexander said Ager won't allow them on the property and there might even be a tank guarding the gates," the affidavit states.

Things continued to boil at a meeting the next day with Mr. Civelli. According to Mr. Manning, Mr. Civelli attacked Mr. Lavarack for mismanaging the company -- so much so that Mr. Lavarack eventually said that he had had enough, got up and left the room.

Central Minera claims Mr. Lavarack's exit from the meeting resulted in his immediate resignation. In court documents, Mr. Lavarack denies this and says he did not officially resign until May 3. Central Minera also claims Mr. Manning resigned on April 30, but Mr. Manning denies this and says he was fired or forced to resign by reason of duress on that date.

Central Minera's statement of claim alleges the two executives had no right to take the money. It also says the men took computer equipment that belonged to the company and alleges the supposed employment contracts, under which Mr. Manning and Mr. Lavarack claim the money, were prepared by the executives in their final days at the firm.

The company won an early round of the dispute. In May, it succeeded in obtaining a court ruling ordering the

\$272,400 be paid into court pending a resolution of the lawsuit. That order, along with most of the court documents, remained sealed until this week.

The case continues, and more details are expected to be revealed as more court documents become available.

Black & White Photo: Glenn Baglo, the Vancouver Sun / The two defendants in a suit brought by Central Minera Corp. claim they came under pressure from Terry Alexander, above, and **Carlo Civelli**, to publicize a purported gold find on the Josh mining property.

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