

THE HEARING RESUMED ON THE 26TH OF MAY, 2000, AS FOLLOWS:

CHAIRMAN: Good morning everyone.

MR. COUGHLAN: Morning sir. Mr. Trevor Watkins.

MR. MURRAY: Sir, before this witness takes the stand,

could I just say that I appear for Mr. Cahill, whose

attendance has been requested today. I appear with Mr.

Donal O'Donnell instructed by Messrs. Arthur Cox. I will

be applying for limited representation to that end.

CHAIRMAN: We can perhaps come to that when it is reached,

Mr. Murray. Thank you.

TREVOR WATKINS, HAVING BEEN PREVIOUSLY SWORN, WAS EXAMINED

BY MR. COUGHLAN AS FOLLOWS:

CHAIRMAN: Thank you, Mr. Watkins, for your attendance.

Please sit down.

Q. MR. COUGHLAN: Mr. Watkins, thank you. I think you have

furnished, for the assistance of the Tribunal, a memorandum

of intended evidence; isn't that correct?

A. That's correct.

Q. And the procedure we adopt is you may refer to that in the

witness-box. What I would do is lead you through it and

then make a return to clarify one or two matters which may

arise?

A. Fine.

Q. Now, I think in your memorandum you have informed the Tribunal that you were a director of Computershare Services Limited which acted as registers for Feltrim/Minmet PLC; is that correct?

A. It did. It was in the former name, National Share Register Services, Computershare Services has only operated since 1998 when I took over my company.

Q. And Feltrim of the previous incarnation?

A. That's correct, yes.

Q. Of Minmet?

A. That's correct.

Q. You were involved in the operation of the company from its incorporation and you served for a director for a number of years; is that correct?

A. That's correct.

Q. And I think you have informed the Tribunal that you resigned as a director in December of 1994; is that correct?

A. That's correct.

Q. Now the promoters of the company were Mr. James Stafford, Mr. Emmett O'Connell and Davy Stockbrokers; is that correct?

A. That is correct.

Q. And you have informed the Tribunal that from your involvement with the company it appeared that the purpose for which the company was incorporated was to provide employment for Mr. Conor Haughey, who had graduated from a

United States university with a degree in mining; is that correct?

A. That's correct.

Q. You have informed the Tribunal that you understand that Mr. Haughey approached Mr. James Stafford with a proposal of setting up Feltrim. Mr. Stafford put the proposal to Mr. Emmett O'Connell of Texas Continental Securities which specialised in bringing companies to the stock market in the resources sector; is that right?

A. That's right.

Q. I think you informed the Tribunal that the proposal that Mr. Stafford outlined to Texas Continental Securities appeared to be feasible and it was reckoned that one million pounds would be raised on the flotation of the company; is that correct?

A. That's correct.

Q. And that Davy Stockbrokers were approached and that they sponsored the flotation; is that correct?

A. That's correct.

Q. I think you informed the Tribunal that your recollection is that the board at the time consisted of Mr. Bernie Cahill who was Chairman; Mr. Jack Stakelum; Mr. John O'Connor; Mr. Conor Haughey; Mr. Somerset Gibbs who was a member of a stockbroking firm in the United Kingdom and Mr. John Barnicle; is that correct?

A. That's correct.

Q. Mr. Barnicle was on the board as he owned certain

exploration licenses and it was a Stock Exchange requirement that the company would hold exploration licenses within this country; is that correct?

A. That is correct.

Q. So Mr. Barnicle, he personally held exploration licenses and to comply with the Stock Exchange requirement he was on the board of the company?

A. And he transferred these into the company name.

Q. Now, I think you have informed the Tribunal that on the flotation of the company approximately one million pounds was raised and the company's share price doubled to 80 pence on its first day of trading but fell back steadily thereafter; is that correct?

A. That is right.

Q. You have informed the Tribunal that Mr. Conor Haughey was paid a salary in the region of €20,000 to €25,000 per annum, together with certain share options and that this appeared to be a standard package and was not in anyway exceptional?

A. That's correct.

Q. And that after the flotation of the company the board sanctioned an outlay of €600,000 to investigate certain prospects, which had been identified by Mr. Haughey in New Mexico, but unfortunately these prospects did not come to fruition and there was no return from the investment; is that correct?

A. That's correct.

Q. I think you have informed the Tribunal that in 1990 the company was in need of further funds and there was a reverse take-over of the company by Connery Minerals; is that correct?

A. That's correct. I was a director of Connery Minerals that was my introduction onto the board.

Q. And that company, this is Connery Minerals?

A. Yes.

Q. This company was developing a leeching process for gold, silver and other metals in Avoca in County Wicklow; is that correct?

A. That's correct.

Q. And that in conjunction with the reverse take-over, the company sought to raise in the region of €300,000 to €400,000 in additional capital at 32 pence per share; is that correct?

A. That's correct.

Q. I will come back and we can perhaps explain that. Well explain it to me in the first instance so that I can get the matter across for public consumption. I think that this was Mr. Desmond, Mr. Dermot Desmond's first involvement with the company and he subscribed for shares to the value of €26,670; is that correct?

A. That's what the record shows.

Q. That is what the records shows. I think that the Tribunal has provided you with a copy of the company's bank statement from August 1990, from which it appears that the

proceeds of this investment were lodged in the company's current account on the 1st of August, 1990. It did go into the company's account?

A. Yes.

Q. I think you have informed the Tribunal that at this stage Mr. O'Connell introduced a further geologist to the company who became involved with the technical side. From this point on there was virtually no exploration work undertaken by the company; is that correct?

A. That is correct.

Q. To generate some income the company entered into an agreement to take out stone from a quarry in Clonmannon in County Wicklow, and that in mid 1991 the company, which had a very limited income, was experiencing severe difficulties with creditors, and particularly the lorry drivers from the Clonmannon quarry; is that correct?

A. That's correct.

Q. The drivers were owed a significant sum of money and you recall that they had started calling on your, your home to seek payment; is that correct?

A. They did.

Q. And that you understood at the time that Mr. Conor Haughey discussed the matter with Mr. Dermot Desmond and that Mr. Dermot Desmond agreed to put up €55,000 to pay off the lorry drivers and some other creditors; is that correct?

A. That's correct.

Q. And you recall having a conversation with Mr. Desmond about

the matter and calling to Mr. Desmond's office to direct a cheque; is that correct?

A. That's correct.

Q. There was nothing in writing in relation to this loan, but Mr. Desmond stipulated that it was being advanced on the basis that it would be repaid; is that correct?

A. That's correct.

Q. However, at that time the company had no funds and little income and you believe that Mr. Desmond would have known that there was no prospect of the loan being repaid; is that correct?

A. It was going to be difficult, yes.

Q. Yes. I think you informed the Tribunal that Mr. Jack Stakelum also advanced €15,000 at this time; and again it is your recollection that the approach to Mr. Stakelum would have been made by Mr. Conor Haughey?

A. Well, I have in fact spoken - a slight change in that.

Q. Very good?

A. Because, in fact I remember I spoke to Mr. Stakelum, the operation down in County Wicklow required upgrading of machinery.

Q. Yes?

A. And we had approached ICC Bank with a view to leasing machinery down there and that, obviously in the state the company was in, it was, it proved impossible.

Q. Yes?

A. And we approached Mr. Stakelum and he stated that he would

put up €15,000 to assist in this.

Q. Yes, right. Well, I think the fact that you spoke to Mr. Stakelum seems to be consistent with Mr. Stakelum's memory, that it was you that spoke to him not Mr. Conor Haughey. Just to clarify that and to establish that. Just in fairness, I think Mr. Stakelum had no recollection that it was specifically related to machinery in Wicklow. He gave evidence yesterday.

A. That is fine. I mean I don't think he would have remembered that.

Q. Nothing too much turns on. It, just to let you know what Mr. Stakelum said yesterday.

I think the Tribunal provided you with a copy of the Feltrim current account for July and August 1991 from which it appears that the proceeds of the loan from Mr. Stakelum were lodged to the account on the 31st of July 1991, and the proceeds of the loan made by Mr. Desmond were lodged to the account, in two tranches of €40,000 on the 12th of August 1991, and €15,000 on the 30th of August 1991. I think you have actually seen those on the accounts; isn't that right?

A. That's correct.

Q. I think the effect of the lodging of these particular loans was that it brought the current account from an overdraft situation into a credit; isn't that correct?

A. That's correct.

Q. Now, I think you have informed the Tribunal at that stage

Mr. Conor Haughey was the Sole Member of the original board who was still involved with the company. And the company was in dire financial straits. No salaries were being paid and costs had been cut back to a minimum; is that correct?

A. That's correct. Conor Haughey, he was effectively, he was the only Executive Director. I was a Non-executive Director, there were no fees coming out.

Q. Yes. I think that in May of 1992 there was a further open offer of shares in the company at five pence per share; is that correct?

A. That's correct.

Q. This offer was made to generate further finance for the company, but the offer was under subscribed; is that correct?

A. That's correct.

Q. The company had very considerable creditors at the time and in order to enable the company to continue to trade it was proposed that some of the creditors would convert their debts to shares; is that correct?

A. That's correct.

Q. The loans from Mr. Desmond and Mr. Stakelum were also converted into shares and this may also have happened around that time?

A. Around about that time, yes.

Q. I think that eventually in February or March of 1993 when the company was just a shell, a new investor emerged from the UK who specialised in taking over such companies; is

that correct?

A. That's correct, yes.

Q. Deals were made with creditors, and you were involved in making these arrangements, and eventually all of the creditors agreed to convert their debt to shares with the exception of Mr. Mike Murphy of Mike Murphy Insurance Services, who insisted on being paid his debt in full; isn't that right?

A. That's right. They

Q. Sorry, the insurance broker's debt, it was not a personal debt?

A. That's right. We had been - I had kept in contact with all the creditors over, through the difficult times and just bringing them along and informing them as to the state of play and that this was the plan to try and introduce a new investor and raise the funds. When the time came all the creditors were very amenable to settling, in various degrees.

Q. Yes. I think you have informed the Tribunal that you recall that you discussed the matter with Mr. Dermot Desmond and the new investor at the time to inquire as to whether Mr. Desmond would be willing to subscribe to further shares. Mr. Desmond took the view that the company had been tidied up to a great extent and that he wished to have a one third interest in the company. The new investor was not agreeable to this and eventually Mr. Desmond subscribed in the region of €100,000 which gave him a

heading of about ten percent in the company; is that

correct?

A. That's correct.

Q. And you informed the Tribunal that Mr. Desmond, to your

knowledge, had never sold shares in the company prior to

that time, whereas he invested €100,000 at that point, at

one pence per share. The rise in the share price would

indicate that he has made a profit on this investment. I

think that is so; isn't it?

A. It is, that's correct.

Q. And you have informed the Tribunal that apart from the

loans advanced by Mr. Desmond and Mr. Stakelum, the only

other loan made to the company was a loan of 600 - €6,424

which was given by Mr. Bernie Cahill in 1992. The loan was

in respect of patent fees on a none toxic gold leeching

process which was being developed by the company and you

understand that this loan was subsequently converted to

shares?

A. That's right. They - the process was being developed in

conjunction with the Dublin Institute Of Technology in

Kevin Street and they, the patent was pending, a worldwide

patent because this was a unique process and the funds just

weren't there to renew this patent and it would have lapsed

and Mr. Cahill took, put the money up to discharge this.

Q. For that specific purpose?

A. Yes.

Q. That loan was?

A. That's right. That was subsequently converted to shares in May 1992 at the same time as the, some of the other creditors.

Q. Could I just ask you when - one or two matters, if I may Mr. Watkins?

Going back to the reverse take-over, you say that was the first time you became involved in the company?

A. That's correct. I was a director, a Non-Executive Director of Connery Minerals, who had raised funds to develop this non-toxic leeching process.

Q. Leeching process.

A. Normally around the world gold leeching is carried out by way of the use of cyanide and obviously in the environmental climate that was around, cyanide was a no-no, and this involved the use of Tyrea which was acceptable in an environmental term and a pilot plant was set up down in Wicklow to set up that.

Q. How did you become involved in the company in the reverse take-over? How did that

A. I was General Manager of Texas Continental Securities who promoted Connery Minerals at the time, and also promoted Feltrim at the start, or one of the promoters. It was really Davy Stockbrokers who took over the large slice of the promotion prior to the introduction to the market. And I was on the board, and the two boards just merged in 1990 and, you know, everybody just stayed on at that particular

time, but then various Feltrim directors resigned at that particular time. I think John Barnicle, John Conor, Jack Stakelum resigned at that time, and it was being driven really by Connery, because at that stage

Q. That was what I was trying to

A. The influence of Conor Haughey was extremely limited from that day on.

Q. Can we take it that the activities of the company were really the Connery activities of the company as well, there was very little happening in Feltrim, if anything, at all?

A. Little or nothing.

Q. Can we take it that at the time that the various loans were made, whilst there was some commercial aspect to them, it was a very long-term punt for somebody to be expecting to be repaid their loan with the state of the company?

A. In any resource company, you know it could be termed a bit of a punt at any time. But 1990, from about late 1990 to about 1993 the availability of funds for resource companies had dried up completely in the stock market and unless you had an exceptional project or story to tell, it was almost impossible to raise funds.

Q. To get money?

A. That was evidenced by the attempts to raise funds over that period and it was really in those circumstances, you will sort of talk to anybody who shows an interest, or where you may be able to obtain funds to continue to

Q. Yes, I can understand that one might take a punt on the

share of a resources company like this, even a penny share, and obviously the punt on the penny share paid off very well for certain investors and people whose debt was converted; but lending money to a company in that state was a very long shot in terms of being repaid?

A. It was.

Q. The loan.

A. Yes.

Q. Would that be fair to say?

A. It would be a long shot. I think it would have been dependant, as well, that there was a complete refinancing somewhere in the foreseeable future that would allow those loans to be repaid.

Q. Yes. Well you - you've indicated in your memorandum that you, of intended evidence, that you believed that the company, when it was initially incorporated or put together, was really there for the purpose of providing employment for Mr. Conor Haughey; is that correct?

A. That's correct.

Q. How did you gather that impression?

A. Well, I mean, I mean he was, essentially, the only Executive Director.

Q. Yes.

A. It was, the proposal was put forward with Conor as the Managing Director, Chief Executive, you know there was nobody else gaining any large salary or anything out of the company at that particular time, and it was in line with

Conor's qualification in geology.

CHAIRMAN: And was it, Mr. Watkins, a somewhat unfocused proposal at that stage? It wasn't gathered to any particular geographical area?

A. It was focused, the exploration as I explained in the memorandum, the requirements of the Irish Stock Exchange; there are different levels of flotation that you can obtain in the Irish Stock Exchange and Feltrim was floated on the Exploration Securities Market which is probably not as strict now as the primary market would be. But one of the requirements is that you hold licenses. You must hold licenses here in Ireland and have part of your business profile here in Ireland.

Now, obviously exploration opportunities in Ireland are limited and in certain provinces, like the United States, there were still opportunities to be had in these countries, and while - what happened was there was this proposal that seemed to check out reasonably well, apparently that the directors checked it out in New Mexico and that was part of the proposal prior to flotation, that would have been in the prospectus as to what the money would have been. That the money that would have been raised was intended to be used for. It is very hard to raise money without explaining how you are going to use the money.

CHAIRMAN: Yes, but compared with other ventures of

roughly that period, such as Aran?

A. Well Aran, well I mean Aran had been in operation for 12 years and they had lost a substantial amount of money prior to finding the oil. I mean Aran were one of the successful exploration companies here in Ireland. Feltrim wouldn't have been out of sync with many of the smaller, junior exploration companies at that time.

CHAIRMAN: Yes, I appreciate it is hard to cast your mind back to the climate of investor sentiment in exploration stocks at the time that the company was set up, but in general terms would it have been relatively bullish

A. It would be quite buoyant, that was evidenced that on day one the shares went from 40 pence to 80 pence. That was an indication, just market sentiment turned in late '89 and it just became a very difficult climate for the junior exploration companies.

CHAIRMAN: I see. Thank you.

Q. MR. COUGHLAN: A good day to get in and out, that first day probably?

A. It would have been a very good day.

Q. Could you just - we have got the minutes of the board meetings, of the directors meetings of Feltrim and the minute for the Wednesday the 27th of February, 1991, and there is a matter arising from the minutes. It has been brought to your attention, I think?

A. Yes.

Q. That it is on the overhead projector now: "That the meeting noted that the five-year term loan of €45,000 had been offered to the company subject to obtaining an independent guarantee. Which guarantee was to be given by Mr. D Desmond. It was therefore resolved that the facility letters from AIB, dated the 14th of February 1990, as submitted to the meeting in respect of the aforementioned term loan (B) and is hereby accepted and that T Watkins is hereby authorised to sign acceptance on behalf of the company. T Watkins further reported that the overdraft from the Bank of Ireland, addressed from incoming loan proofs. It was further noted that the €25,000 remaining was being applied in settlement of trade debts, but mainly in the payment of wages".

It is really the guarantee?

A. Yes.

Q. Interest confirmed that that guarantee was furnished?

A. That guarantee was put in place. We had looked at a number of options of how to obtain finance at that particular time. Obviously the easiest way to obtain finance is if you can acquire, obtain it from the banks rather than having recourse to the shareholders, and we spoke to the number of leading people who had invested, or had an interest in the company, to see if they would support such a guarantee. Mr. Desmond indicated that he would support a guarantee to that level.

Q. Yes?

A. Subsequently in 1993 when the restructuring, and Mr. Paul Bristol came on board, that was totally discharged with AIB and there was no recourse to Mr. Desmond to call on the guarantee.

Q. He wasn't called on the guarantee. Did any other - sorry, did any other third parties, I mean investors, whether they be shareholders or lenders to the company, provide guarantees?

A. No.

Q. Over that period?

A. This was not an exceptional circumstance, but obviously Mr. Desmond's name would have been highly thought of by the bankers at that time.

Q. Yes?

A. And you know, as opposed to somebody like myself or somebody else giving a guarantee, it certainly, it was what the bank were looking for to enable them to supply that facility.

Q. Well, do you know who dealt with Mr. Desmond in relation to the provision of this guarantee?

A. I think certainly Conor Haughey would have dealt in relation to that. The only conversations I had with Mr. Desmond in relation to the company were the time of collecting the cheques, calling and collecting the cheques in July/ August 1990/1991. And at the time that Mr. Paul Bristol came in we went to speak to Mr. Desmond who as a

significant shareholder, we felt obliged. We didn't - it wasn't unique talking to Mr. Desmond, we talked to quite a number of people at that time with a view to investing into the future with the company.

Q. Thanks very much, Mr. Watkins.

MR. CONNOLLY: No questions.

CHAIRMAN: Anybody wish to raise any matter with Mr. Watkins? Thank you very much for your attendance and assistance.

A. Thank you.

THE WITNESS THEN WITHDREW.

CHAIRMAN: Ms. O'Brien?

MS. O'BRIEN: Mr. Gerry McGee please?

MR. KETTLE: Sir, I appear for Deloitte and Touche as previously

CHAIRMAN: Obviously that umbrella covers this witness, Mr. Kettle, thank you.

GERRY MCGEE, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS BY

MS. O'BRIEN:

CHAIRMAN: Please sit down Mr. McGee.

Q. MS. O'BRIEN: Thank you Mr. McGee. Mr. McGee, I think you are a member of the firm of Deloitte and Touche, Chartered Accountants?

A. That's correct.

Q. And I think you were the person who was, who had overall responsibility for the auditing of the accounts of Feltrim Mining PLC?

A. That's correct.

Q. And I think in fact Deloitte and Touche were auditors to Feltrim Mining from the incorporation of the company and from the flotation of the company?

A. That's correct.

Q. And you have provided the Tribunal, I think, with a memorandum of your intended evidence?

A. That's correct.

Q. I wonder do you have a copy of that with you?

A. Yes, I do.

Q. Perhaps, firstly I could just take you through it. You have also provided a very helpful summary of the company financial data, perhaps then we could just review the contents of that?

Now I think you have informed the Tribunal that you were the auditors to Minmet PLC, formally Feltrim PLC from its incorporation?

A. That's correct.

Q. And that the Tribunal has requested your assistant in relation to the capitalisation and funding of the company from its incorporation to 1993?

A. That's correct.

Q. And I think in 1993, I think there was a complete take-over and reorganization of the company and it changed its name to Minmet PLC?

A. That's correct.

Q. I think at that time Mr. Conor Haughey ceased to be Managing Director and ceased to have any executive involvement in the operation of the company's affairs?

A. That's right

Q. I think you stated that Deloitte and Touche have not retained their audit files for the years 1988 to 1993 and are therefore not in a position to comment fully on the points raised by the Tribunal?

A. That's correct.

Q. I think you have had tried as best you can, from copies of the certified accounts, to assist the Tribunal in relation to these queries?

A. That's correct.

Q. I think you say that insofar as can be deduced from the documents available to Deloitte and Touche, the following points can be made. I think you say that firstly the company incurred trading losses in all years?

A. Correct.

Q. And that would be the years from 1988 to 1993?

A. Yes. The year 1988 the total expenditure that had been incurred had been capitalised.

Q. I see.

A. A nil balance on that profit and loss on 1988.

Q. I think you say that secondly the significant development expenditure was incurred?

A. Correct.

Q. That would be the expenditure in terms of following up and various mining prospects and mining opportunities; is that right?

A. Exploration more than mining.

Q. I think you say Deloitte and Touche do not now have information to confirm whether or not the expenditure related to ventures in Alaska and New Mexico. I think that was a particular query that the Tribunal had raised with you?

A. Yes.

Q. I think you stated that new capital was raised in March of 1990?

A. Correct.

Q. You state that 1,446,799 shares were issued at 32 pence per share, raising £462,975 in new capital?

A. That's correct.

Q. And that was in March of 1990?

A. Correct.

Q. You state that Deloitte and Touche does not have details of the new shares issued and cannot confirm whether or not Mr. Dermot Desmond subscribed for 83,333 shares which would have cost £26,667?

A. That's correct.

Q. Well, in fact I think Mr. Desmond himself has confirmed

that some time ago, Chairman, that he did make that subscription to the capital of the company on the open public offer.

I think you further state that it appears that loans totalling $\text{€}70,000$ were obtained in 1991?

A. Correct.

Q. I think Deloitte and Touche does not have information to confirm whether or not the loans were from Mr. Desmond in the sum of $\text{€}55,000$ and Mr. Jack Stakelum in the sum of $\text{€}15,000$?

A. That's correct.

Q. That's correct. That wouldn't be apparent from the documents that you have available to you?

A. No. We just added up the total loans that were outstanding at that time.

Q. I think that each of those persons has in fact confirmed that those loans were provided to the company and that they were the source of those loans.

I think you say that it appears that the amount due on loans reduced from $\text{€}70,000$ as at 31st December 1991, to $\text{€}7,500$ as of 31st of December, 1992; is that correct?

A. That is correct.

Q. And I think you further state that it seems likely that the $\text{€}7,500$ as at 31st of December 1992 related to Mr. Stakelum, is that correct?

A. That's correct.

Q. I think you finally state that Deloitte and Touche has no

details as to how the balance of these loans were satisfied. It was aware that in 1992 certain creditors were satisfied by the issue of shares?

A. That's correct.

Q. And then finally you state that a summary of financial data in tabular form, covering the period 1988 to 1992 inclusive, was attached to your memorandum?

A. Correct.

Q. Maybe if we could just put the table on the overhead projector? I think we can probably provide you with a hard copy. It may be easier for you to work off a hard copy rather than the table. (Document handed to witness.)

I think in fact if we just move it up slightly you see that there is quite a number of entries on the left-hand side, and across the top is each of the years from 1988 to 1992?

A. Correct.

Q. And maybe if we just look at each of those entries for each of the separate years, if that is all right with you?

A. Certainly.

Q. So if we start with 1988, I think the loss for the year, for that year is nil, and I think you explained that that loss was capitalised, which is why it appears at nil?

A. Yes, correct. The total expenditure of that year, approximately, this been capitalised through the capital loss account.

Q. The next entry is "Goodwill W/O"?

A. That is "Goodwill Written Off" it only happened in the year 1990, it was goodwill that arose on the transaction relating to the take-over with Connery.

Q. I see.

A. And the value of the assets, goodwill was created on the transaction being the value of the assets and Connery were less than the market price of the shares that were issued.

Q. I see.

A. In terms, in accountant terms that had to be dealt with and dealt with through the profit and loss account and the amount involved was 893,837.

Q. I see. So that was effectively a writing off of the assets and the value of the shares as against the assets which were acquired on the take-over

A. Correct.

Q. It only arose, as you say, in 1990. The next entry is "development expenditure" occurred at €563,074 and presumably that would have been the investments that were authorised by the Board of Directors in pursuing the resources, inquiries and resources of prospects that were available?

A. That's correct.

Q. The next entry is "deficit on the profit and loss account" it was in that year, presumably, because the loss was written off, it is at nil?

A. The loss, the expenditure is capitalised.

Q. The next entry "shareholders fund at €926,349". Is that

the monies that were raised on the flotation of the company on the 1st of April?

A. Net of the cost of the flotation.

Q. Net of the cost of the flotation. The next entry is "creditors at œ21,364". Again presumably they were just ordinary trade creditors?

A. That's correct.

Q. The next entry is "net current assets/liabilities" that is at œ221,600?

A. Correct.

Q. So there were, the net current assets for that year were that amount of money. œ221,600?

A. Correct.

Q. Presumably that would consist of the exploration licenses, the exploration opportunities and so forth?

A. No, that would, in current terms that would have been the difference between the, probably the figure of cash at bank less the liabilities to creditors, payable within one year.

Q. I see. The next entry is "loans included in creditors" and that is at nil?

A. Correct.

Q. The next entry is "proceeds of share capital issued", again that is the 926,349 which is the same entry which appeared higher up for shareholders funds and presumably again represents the proceeds of the funds issued on the flotation of the company?

A. Correct.

Q. And then the "value of shares issued re purchase of subsidiary" that only arises in 1990; is that correct?

A. That's correct.

Q. I think we can deal with it when we are looking at the 1990 figures. If we look at the next year which is 1989, the loss for the year in that year is $\text{€}838,804$?

A. Correct.

Q. The goodwill doesn't arise, it only arose in 1990. And the next entry "development expenditure incurred" was at $\text{€}344,468$.

A. That's correct.

Q. The deficit on the profit and loss account was the same as the loss for the year, $\text{€}838,804$?

A. Correct.

Q. The shareholders funds for this year are $\text{€}87,545$?

A. Correct. They are depleted by the loss for the year, the, that figure is arrived at by taking the original shareholders funds and then they are reduced by the deficit in the profit and loss account.

Q. You just took the figure of $\text{€}838,804$ from the shareholders funds for the previous year and that gave you the figure $\text{€}87,545$; is that correct?

A. That's correct.

Q. The next figure is creditors for this year that is $\text{€}163,386$?

A. That's correct.

Q. The next figure "net current assets/liabilities" in fact on

this occasion it is a liability of £141,578?

A. That's correct.

Q. I presume this time that arises by taking the cash in the bank and taking from that, subtracting from that the amount of the creditors; is that correct?

A. Yes.

Q. So that shows a seriously different situation as between 1988 and 1989?

A. Correct, worsening the position.

Q. Then "loans including creditors" is nil. "Proceeds of share capital issued" there was no share capital issued in that year?

A. Not in 1989.

Q. Then "value of shares issued re purchase of subsidiary" that again didn't arise in 1989?

A. Correct.

Q. Then looking at the third set of figures. They are the figures for the year, financial year 1989/90, and the loss for the year this time is £283,925?

A. Correct.

Q. Then we have this "goodwill" entry at £893,837. And I think you said earlier that related to the take-over of Connery Minerals?

A. That's correct.

Q. Could you just explain how that arose on the take-over?

A. That would be the asset. The net asset value of Connery would be compared with the value of the number of shares

issued at the price they were issued at to the shareholders of Connery; and the difference, the value of the shares was a higher figure, and goodwill would be the difference between the net asset value and the value of the shares issued.

Q. I see.

A. And then that would be taken through the profit and loss account and written off that year.

Q. It was a form of accounting entry really to ensure that matters remain in balance?

A. Correct.

Q. The next entry then is "development expenditure incurred" and again there was a big figure for development expenditure in that year €1,434,883?

A. Correct.

Q. The deficit in the profit and loss account in that year was €2,016,566?

A. Correct.

Q. Now, the shareholders fund seemed to have increased again in 1990, they have increased to €1,558,821, and is that because there was a share capital issue that year?

A. That's correct; and also by the issue of the Connery shares coming in as part of the take-over.

Q. On the takeover?

A. On the takeover of Connery.

Q. Creditors at this time have increased again to 284,875.

A. Correct.

Q. And the net liability position has disimproved again in that year, and it is increased the liability as to œ198,536; is that correct?

A. The net liabilities, yes.

Q. Then loans included in creditors is again nil for that year. And I think the next entry on the table "proceeds of share capital" issued at œ427,736?

A. Correct.

Q. And that represents the funds raised on the open offer that was made on the Stock Exchange in, I think March of 1990; is that correct?

A. I think it was March, it was certainly 1990.

Q. And then finally the value of shares issued re purchase of subsidiary at œ2,224,302. Again perhaps you could explain that entry? It is an entry just made for 1990?

A. That's the number of shares at the price they were issued to the shareholders of Connery.

Q. The number of shares at the price they were issued to the shareholders of Connery?

A. Came to œ2,224,000.

Q. So I see the total price, effectively in the issue of shares for the takeover of Connery was œ2,224,000?

A. Correct.

Q. Then moving on to 1991, the loss for the year was œ1,490,124?

A. Correct.

Q. The goodwill figure doesn't arise, and the there was no

development expenditure in that year; is that correct,

because of the nil entry?

A. That's correct.

Q. Then the deficit on the profit and loss account had increased again, this time just in excess of 3.5 million?

A. That's correct.

Q. Shareholders funds had reduced again to œ68,697. Could you just explain to us again how that reduction in shareholders funds arose between 1990 and 1991?

A. The shareholders funds go up or down by the retained profit or the incurred loss of the year. The loss of œ1,490,124 in 1991 caused the shareholders funds, which had been œ1,558,821 at the end of the previous year to become 68,697.

Q. The figure for the loss of the year for 1.94 million is subtracted from the previous years shareholders funds at 1.558 million to arrive at a figure of œ68,697?

A. These're the result of it.

Q. The creditors, again of that year, this time they were œ510,554?

A. Correct.

Q. The net liabilities had again increased to œ456,386?

A. Correct.

Q. And then the next entry "loans" included in creditors includes or has for the first time this reference to loans of œ70,000?

A. Correct.

Q. And these were the loans of €70,000 that you refer to in your memorandum, could you explain that?

A. Yes. The financial statements of 1991. The note, the directors accounts for that year, in notes to those accounts they show as part of the make up of creditors, they show a figure of all the loans of €70,000.

Q. The loans that Mr. Watkins just referred to, the loans from Allied Irish Bank, the term loan of €45,000, and the overdraft I think on the Bank of Ireland current account, they wouldn't be included in that figure, no?

A. No. The note for that year shows those loans separately and then it refers to the €70,000 as other loans. It refers to bank term loans at a certain figure and bank overdraft, then it says "other loans €70,000".

Q. In the actual financial statements they are separately treated, bank loans and other loans?

A. Separately treated, yes.

Q. Then there is nil for proceeds of share capital because there was no issue or flotation. The flotation of shares on the stock market of that year?

A. That is so.

Q. Value of shares issued re purchase of subsidiary - that doesn't arise because that was just a one-off transaction in 1990.

A. That's correct.

Q. Then finally, if we just deal with the figures for 1992. The loss for that year was €370,959?

A. Correct.

Q. The goodwill doesn't arise, and the development expenditure in that year, where there had again been some development expenditure incurred, that was $\text{€}195,000$ odd?

A. Correct.

Q. Then the deficit on the profit and loss account at this stage had increased to a deficit of 3.88, 3.87 million?

A. Correct.

Q. The shareholders funds deficit was now in a deficit situation of $\text{€}161,069$?

A. That's correct.

Q. And presumably that is because, as in previous years, you deducted the loss for the year from the shareholders fund?

A. Correct. The balance sheet shows that.

Q. That shows the deficit. Then creditors had increased to $\text{€}582,477$, and the net current liabilities were at $\text{€}528,958$?

A. Correct.

Q. So the net current liabilities had increased again in the year 1992?

A. That's so.

Q. The loans included in creditors which were at $\text{€}70,000$ the previous year have now been reduced to $\text{€}7,500$?

A. Correct.

Q. And I think we know, in fact from other evidence, that those loans and portions of the loans to Mr. Stakelum had been converted into shares during the course of that year and that would account for the reduction in the figure for

loans included, loans included in creditors; and then finally, proceeds of share capital issues, £141,193.

A. That's correct.

Q. So there had also been a share issue in that year in 1992; is that correct?

A. That's correct. That would also include the value of any creditor balances that had been converted into shares.

Q. Oh, I see.

A. Cash plus, it is the total value of the shares.

Q. The new shares issued in that year, whether they had been by way of conversion or by way of a share issue on the Stock Exchange?

A. That's correct.

Q. And again the view of shares purchased, purchased of subsidiaries don't arise in that year?

A. That's correct.

Q. Could you just confirm that these financial figures have all been extracted from the financial statements of the company for the relevant years?

A. Yes, that is so.

Q. Can I take it that overall that would give a fairly poor impression in relation to the financial situation of a company?

A. It would give the actual position of the company, which was certainly, in trading terms it was poor, in solvency terms it was poor.

Q. Both in trading terms and solvency terms you would rate it

as poor?

A. It became poorer as the years went on.

Q. I see. Thank you very much.

MR. CONNOLLY: Nothing arising.

CHAIRMAN: Nothing to raise Mr. Kettle? Thank you very much Mr. McGee.

THE WITNESS THEN WITHDREW.

MR. COUGHLAN: Now, Mr. McDarby?

CHAIRMAN: Thank you again Mr. McDarby, please sit down.

RALPH MCDARBY, HAVING BEEN PREVIOUSLY SWORN, WAS EXAMINED
AS FOLLOWS BY MR. COUGHLAN:

Q. MR. COUGHLAN: Thank you Mr. McDarby. I think you furnished a further memorandum of proposed evidence, Mr. McDarby and you have informed the Tribunal, this memorandum relates to, it was in response to a letter from the Tribunal to solicitors acting for Deloitte and Touche's; isn't that correct?

A. That's correct.

Q. Of the 23rd of May, 2000. You have informed the Tribunal that Secretarial Trust Company was the secretary of Feltrim Mining PLC from the date of incorporation until its resignation on the 21st of August of 1991; is that correct?

A. I did, yes.

Q. And that you attended the meetings of directors of Feltrim

Mining PLC held on the 21st of August 1991; 26th of September, 1991; the 3rd of October, 1991; the 10th of October, 1991; and the 20th of November, 1991; as a representative of Deloitte and Touche, and assisted the secretary, Mr. Trevor Watkins, in the production of minutes of those meetings?

A. I did.

Q. I think on the 20th of November, 1990, the 20th of November 1991 meeting was the last directors meeting attended by you, although you attended a general meeting of the company in March of 1992; is that correct?

A. Two general meetings.

Q. Two general meetings. I think you have informed the Tribunal that you recall that the only directors in that period, that is the period that you indicated that you attended the meetings?

A. That's right.

Q. Were Mr. Bernie Cahill, Mr. Conor Haughey, and Mr. Trevor Watkins; each of whom were actively attempting, through this and earlier periods, to secure additional financing from investors?

A. That's correct.

Q. Now, I think you then deal with a loan which was referred to in the penultimate paragraph of the Tribunal's letter of the 23rd of May, 2000. And the €55,000 loan and the €15,000, that is the Mr. Stakelum and the, the €55,000 being the Mr. Dermot Desmond and the €15,000 being the Mr.

Stakelum loan, that

A. Yes, they are the loans I was referring to.

Q. They were the loans you were referring to. That these were not the subject of resolution or decision at the directors meeting and consequently would not appear in the minutes?

A. That's correct.

Q. I think we will come back to that. Now, I think you then say that the reference in the minutes of the 26th of September, 1991, 1992 I think that should be; is that correct?

A. No, I am afraid the reference to H D Conroy, to which I think the Tribunal's letter refers, is in the 3rd of October.

Q. I see?

A. Not the 26th of September minutes.

Q. I see. That would - that is correct. Just the 3rd of October. There is a reference to H D Conroy, that relates to matters referred to from meeting to meeting regarding the search for new investors and were; as far as you were concerned, as far as you can recall names of prospective sources for finance for Feltrim Mining; is that correct?

A. That is correct.

Q. And you have informed the Tribunal that because Feltrim Mining PLC was a company with a Stock Exchange flotation, sensitive information had to be referred to in a confidential manner?

A. That is what I said, yes.

Q. And you have no recollection of the identity of the prospective investors listed in the minutes of the directors meeting of the 3rd of October 1991; is that so?

A. That was my statement.

Q. And is that so?

A. I have since spoken to somebody who has refreshed my memory. The name that I don't recognise, but I didn't recall.

Q. I see. Perhaps you can, we can obtain that name from you, we needn't mention it here. I don't see any reason why you shouldn't mention it

A. Except the person involved was just a prospective investor but did not invest.

Q. Did not invest at all? Very good.

If I could just perhaps put up extracts from the minutes?

The first one is the 21st of August of 1991; it is the, I think the first page indicates to, who was present at that meeting?

A. If I could just clarify, I was and still am Managing Director of Secretarial Trust Company which is the, was the secretary up until that meeting.

Q. Yes, what is the clarification?

A. The secretary was Secretarial Trust Company, I was there on behalf of Secretarial Trust Company as secretary at the meeting.

Q. I see.

A. And the first item on the agenda was the resignation of my

secretary, of my company as secretary.

Q. Yes. Now, if we go on the hard copy, over the page. This is just to deal with the, that shows; sorry, the first one shows who was at the meeting; is that right? Mr. Cahill, Mr. Watkins, you in the capacity you have described, and there was an apology from Mr. Haughey?

A. That is correct.

Q. And then there, if we go over the page then, the extract, it is dealing with the settlement of the lorry driver dispute, or the monies that the lorry drivers were looking for; isn't that correct?

A. That is the reference, yes.

Q. If I just read it:

"Clonmannon gravel project: It was noted that the quarry had returned to production on the previous Thursday and that the front loader that had been removed from the site by a creditor had been recovered. It was also noted that a group of trade creditors had contrived to be paid by threatening action against the company and that that debts due to them had been negotiated and settled and that the company was no longer using the haulers in question".

That is the reference to that particular project being sorted out, or dealt with?

A. That is a record of the discussion that was conducted by the directors at the meeting which I recorded as secretary, yes precisely.

Q. And there was no discussion, we can take it so, as to how it was resolved, where the money had come from?

A. Not any detailed discussion that required a decision or resolution of directors that required to be minuted.

Q. Could I just ask you this, Mr. McDarby? I wouldn't be as familiar now of the keeping of minutes of companies as you would be, but is that a record of a decision of directors or is it a recording of an actuality?

A. It is a recording of a report to the meeting of how

Q. Right.

A. Of how some problem was resolved.

Q. Right. And was there any - can we take it, was there any discussion about where the monies had come from to deal with this, to the best of your recollection?

A. We are talking about a meeting that was held in 1991.

Q. I accept that. I accept that.

A. I am a professional secretary and I attend a great deal of meetings.

Q. I accept that.

A. I record with, and record in minutes which I consider and apparently from the subsequent meeting the directors considered was an adequate record of what was conducted at the meeting on that occasion. So I don't recall any further detail in relation to what was discussed at the meeting, other than that summary of the result.

Q. I see. Well, perhaps you could give the Tribunal the benefit of your broader experience so, Mr. McDarby. Would

it be usual to record, where there were trade difficulties in the company, that œ70,000 had come in to the company by way of loan capital?

A. It would rather depend on the level of the company's activities.

Q. A company of this size and the type of activity that it was engaged in; would it be normal to record œ70,000 coming in?

A. I expect that it would rather depend on the terms on which it came in. It would depend on the authority given to one or more directors or the extent to which they would be obliged to report to the Board on their activities or the exercise of their authority.

Q. Yes.

Now the minutes, and I haven't gone through them in detail myself, but Ms. O'Brien has been through them; would you agree, they appear to contain many references to Mr. Conor Haughey seeking investors or somebody, people to get involved in providing capital for the company in one form or another?

A. Not a loan, but I think his contacts for investors were somewhat more limited than Mr. Watkins.

Q. Yes.

A. Who was extremely active.

Q. Yes.

A. In that area, as I think I heard him describe.

Q. Yes indeed. Indeed. And all of Mr. Watkins' activities

seemed to be recorded quite diligently in the minutes,

don't they?

A. Perhaps they were the most numerous.

Q. I see.

A. They were reported to the meetings.

Q. And I think as you say, the minutes of the next meeting of the Board, the 26th of September, 1991?

A. Yes.

Q. Is that the minutes of August; the August meeting was approved; isn't that correct?

A. That is correct, yes.

Q. Yes.

A. And signed by the Chairman.

Q. And signed. Now the minute for the 3rd of October, 1991?

A. Yes.

Q. And there is a reference under H D Conroy and then there is "directors" and there are various figures, or sums referred to. Do you see that?

A. I do, indeed.

Q. Could I just ask you, is that a proposal that has been

A. No, I think

Q. Suggested

A. No, I think if you just go back, as I said in my summary statement, that certain matters arise at meetings, primarily concerns of a company in this company's circumstances at the time.

Q. Yes?

A. It was new investors. It was the first item on the agenda, it was raised at each meeting. The subsequent meeting would review the minutes of the previous meeting and take reports on it. So that is a sort of running heading in relation to prospective investors.

Q. Yes.

A. And I think it a little cryptic, I admit, but it was probably just a report on possible sources of funds. If, going back to

Q. That is what I am just trying to establish first of all, Mr. McDarby. That is what it is? It is possible resources. It is not a record of œ55,000 which was lent by Mr. Desmond which was used previously?

A. It may not, in particular, it may have been linked in one or more minds to it. I wouldn't speculate on that.

However, I would be taking the - as you could see from earlier minutes, references to the need to have œ100,000 additional capital for the immediate needs of the company, and there is discussion, as you will also have seen from earlier minutes, to an investment document which was in the course of being prepared and which was being shown to certain prospective investors.

Q. Um-hmm?

A. That comes under the "new investors" heading in the second page of the minutes of the 21st of August. You will see reference to the "issue document", and from there it just a carries on reference to it, and that sum required to be

raised, the possible prospects, as I recall, reported to the meeting were the directors; Meridian which is the company with which Mr. Watkins was associated, other shareholders.

Q. Other shareholders and NCB?

A. Yes.

Q. So it is in that context?

A. That is my memory.

Q. I think that clarifies it. So far as you can see from an examination of the minutes, there is no reference in any of the minutes to the various loans in the minutes?

A. Not in any of the minutes at that time.

Q. I think the minute of the 16th of February of 1990 at - I wonder do you have that? It is just that I think, "Secretarial Trust Company was present as secretary" I think; isn't that correct?

A. Yes. One of my staff directors, M Butler, represented the company on that occasion, I think.

Q. Yes. Just present were the various other professional people also; isn't that correct?

A. If I recall the date of that meeting and I don't have, I have the minutes here with me, but not here in front of me.

Q. Yes?

A. I think that may have been the meeting associated with the launch of the initiation of the company, would it be?

Q. No.

A. Well, there was

Q. Sorry?

A. The fact that Power of Attorney is represented for one of the directors leads me to believe that there was a verification document for a prospectus.

Q. It was the share issue in 1990?

A. "Approving the prospectus for the issue of shares" in

Q. In 1990, not the original?

A. Yes. Fine, but the fact that there is somebody represented by Power of Attorney leads me to believe that verification of a document was being undertaken. It can't be done by - so it has to be done by a director of a return.

Q. If I could turn to point three under the heading of "other business", I just want to, point 3.1?

A. Yes.

Q. "It was noted that the auditors determined that that there existed a financial situation requiring the convening of an Extraordinary General Meeting under Section 4 (1) of the Companies (Amendment) Act 1983, and it was resolved that an Extraordinary General Meeting be convened and that the notice of the Extraordinary General Meeting, convening an Extraordinary General Meeting for the 14th of March, 1990, be dispatched to the members and the auditors with the other documents referred to at paragraph 2.55 above".

A. Yes.

Q. That's - I just want to establish the fact of that. That this was resolved?

A. I can also see the Chairman's signature, so it is

definitely evidence that that is what happened.

Q. Yes. Thank you Mr. McDarby. Thank you.

MR. CONNOLLY: No questions.

CHAIRMAN: Thank you Mr. McDarby. Thank you.

A. Thank you sir.

THE WITNESS THEN WITHDREW.

MR. COUGHLAN: I am sorry, Sir, we seem to have been going through the witnesses a lot quicker than anticipated and I think My Friend believes that Mr. Cahill may be here around 12 o'clock.

CHAIRMAN: Very good.

MR. COUGHLAN: I wonder if, in the circumstances, would you consider rising?

CHAIRMAN: One other witness is expected, but again they are not going to be present before that time. Very good. Well, I will sit immediately either or both witnesses are available, Mr. Coughlan. Thank you.

MR. COUGHLAN: May it please you.

THE HEARING THEN ADJOURNED FOR A SHORT BREAK AND RESUMED AGAIN AS FOLLOWS:

CHAIRMAN: Mr. Coughlan?

MR. COUGHLAN: Mr. Mike Murphy.

MIKE MURPHY, HAVING BEEN PREVIOUSLY SWORN, RETURNS TO THE WITNESS-BOX AND IS EXAMINED BY MR. COUGHLAN AS FOLLOWS:

CHAIRMAN: Thank you Mr. Murphy. You are, of course, already sworn.

Q. MR. COUGHLAN: Mr. Murphy, I think you have furnished a memorandum of proposed evidence to the Tribunal in relation to certain queries addressed to you about Feltrim Mining; isn't that correct?

A. That's correct Mr. Coughlan.

Q. And I think in your memorandum - your memorandum follows the schedule sent to you by the Tribunal raising certain queries in response to

A. That's correct. That's correct.

Q. I think that the first query that was raised with you, you were asked for details of your company's or your firm's involvement with Feltrim Mining PLC?

A. That's correct.

Q. I think you have informed the Tribunal that your company acted as insurance brokers for Feltrim Mining PLC from 1988 up to, approximately 1992. Your company provided a variety of insurance for the company which included fire, burglary, travel, employer's liability and public liability insurance?

A. That's correct Mr. Coughlan.

Q. The normal range of insurance cover that you would expect

for the company?

A. Yes, that's correct.

Q. The second query was, you were asked for details of all debts owed by Feltrim to your company as of February/ March 1993; including the manner in which the debts arose, the amounts due, the services to which the debts related and the period for which the debts had been outstanding. And your response is that you attach to your Statement of Evidence a copy invoice which details the various business transactions entered into between your company and Feltrim Mining PLC throughout the period of time for which you provided such insurance services.

And I think you furnished to the Tribunal - Yes, perhaps I will just come back to those; but I think we can establish - it is the ordinary type of cover as described at paragraph 1?

A. It is already in the statement showing what was outstanding at the time. Yes.

Q. Now, the debt was œ5,167.06, isn't that correct?

A. That's correct.

Q. That is what it accumulated to. And I think you were asked the date on which the debt was discharged and whether the debt was paid in full; if the debt was not paid in full, the amount of the discount allowed or the proportion of the debt foregone and you said that the debt of œ5,167.06 was discharged by the company in full in May of 1993; is that correct?

A. That's correct Mr. Coughlan.

Q. Well, I think you were asked for details of all the matters, considerations which prompted your client to insist on the repayment of the debt and refused the arrangement proposed by the company to its creditors to convert their debts to shares in the company; having regard in particular to your decision, or your company's decision to invest €100,000. I know we have been over that before, you are Mr. Gresty; isn't that correct?

A. Yes.

Q. In Celtic Helicopters, in September of 1992?

A. That's correct.

Q. And I think your response to that is that prior to the debt being discharged you were approached by the company and asked if you would take shares in lieu of your debt. You opted for payment and declined the opportunity of taking shares in the company. And you say: "As can be seen from the enclosed statement the relationship that my company had with Feltrim Mining PLC was entirely different to the business relationship with Celtic Helicopters. The fact that Feltrim Mining PLC was being taken over, in my view presented itself as a realistic opportunity for clearing an outstanding account which I availed of"; is that correct?

A. That's correct Mr. Coughlan.

Q. And then the 5th query which was raised was whether you provided any funds directly or indirectly to Feltrim Mining PLC from the date of its incorporation in March 1988 to

March 1993; whether by way of subscription for shares, loans provided to the company or otherwise, and if so you were asked to provide details of all funds provided, including the date, amount and circumstances. You have informed the Tribunal that you never provided any funds, directly or indirectly to Feltrim PLC from the date of its incorporation to March of 1993; whether by way of subscription for share loans or otherwise; your company merely provided insurance facilities which are exhibited to this memorandum and your company was conveniently paid for all insurance that was organised for the company; is that right?

A. That's correct Mr. Coughlan.

Q. I think if we just, and I don't wish to go through these item by item at all; but just have a general look at the schedule, or the invoices or statements furnished by you.

It is a running account; if we just move it to the left please? Just to show - the items are modest enough; isn't that correct?

A. They are, yes.

Q. There is one particular one there for €2,424 that is private motor insurance?

A. A private car, yes.

Q. And if we go to the second page we can see that the running account eventually amounted to €5,167?

A. That's correct, yes.

Q. And that was what was paid off to you in full?

A. Yes, in that amount, yes.

Q. And was it that, that was paid off by in circumstances where you were of the view that in fact the company was effectively being taken over; isn't that right?

A. Yes, I understood it was being taken over.

Q. And you believed that, in those circumstances this represented an opportunity for you to receive payment?

A. It doesn't happen too often, Mr. Coughlan, when you get a chance of that kind of thing.

Q. I am not saying it is not an unusual thing, you saw an opportunity; but this running account had been in existence since July of 1989; isn't that correct?

A. Yes, that's correct, yes.

Q. And this was up to 1992, and there didn't seem any prospect over that period of time, of you recovering the monies that were owed, as far as you were concerned?

A. In actual fact, if you look at the statement on the back page, you will see that the credits there were for cancellations of the cover in 1990, I think there was, because they were no longer trading, the company wasn't trading effectively.

Q. Wasn't trading effectively. So it, in many respects it represented a different situation, as far as you were concerned than Celtic Helicopters did; isn't that right?

A. There was just no comparison Mr. Coughlan.

Q. This company was effectively not trading, even by insisting on payment of your debt and not having it converted into

shares or agreeing to have it converted into shares, there wasn't any situation whereby it could be suggested that you were pulling the plug on the company which the Taoiseach, one of the Taoiseach's sons was associated with; isn't that fair to say?

A. I couldn't see any prospect for the company so taking shares wasn't an option for me.

Q. I am just trying - I am just contrasting it with you expressing a view with Celtic Helicopters and where you funded or allowed an account to run whereby insurance was obtained, aviation insurance was obtained, and you felt that, for whatever the reasons were, that you did not want to have the finger pointed at you that you were responsible for the folding of a company associated with the son of the Taoiseach. You gave that evidence?

A. That would be correct Mr. Coughlan, yes.

Q. Similar considerations did not arise as far as you were concerned here. As far as you were concerned Feltrim wasn't trading at all

A. It had stopped three years earlier.

Q. Yes. So by, obviously rightly insisting on payment and getting it, because you got the payment; isn't that right, from the new people?

A. That's how I saw it, that you get one opportunity in life. It was the first time it has happened to me.

Q. Thank you very much Mr. Murphy.

MR. CONNOLLY: No questions.

CHAIRMAN: Mr. Fullam?

MR. FULLAM: No questions.

CHAIRMAN: Thank you again for your attendance.

A. Thank you.

THE WITNESS THEN WITHDREW

MR. COUGHLAN: Mr. Bernard Cahill?

MR. MURRAY: As I indicated to you this morning, I appear for Mr. Cahill. I repeat my application.

CHAIRMAN: Well Mr. Murray, I am not going to preclude you taking part, as you have been instructed by your client; but having regard to the scale and nature of Mr. Cahill's present evidence, and perhaps the experience of a number of witnesses in attending without legal attendance, I do very much reiterate my caveat that obviously a grant of limited representation in no sense represents any guarantee of eventual costs on adjudication.

BERNARD CAHILL, HAVING BEEN SWORN, WAS EXAMINED BY MR.

COUGHLAN AS FOLLOWS:

CHAIRMAN: Thanks for your attendance Mr. Cahill. Please sit down.

Q. MR. COUGHLAN: Mr. Cahill, I think you have provided a

memorandum of intended evidence for the assistance of the Tribunal. The procedure we adopt here is that you refer to that in the witness-box. I will lead you through the evidence and then perhaps return to one or two matters for clarification?

A. I understand.

Q. Yes.

A. Yes.

Q. Now, I think you have informed the Tribunal that you were the Chairman of Feltrim PLC from the incorporation of the company to the date in which the company was taken over in 1993; is that correct?

A. That's correct.

Q. And I think you have informed the Tribunal that in 1991 Feltrim was under severe pressure from some of its creditors to pay outstanding accounts, and the board of Feltrim was aware of this and each director was asked to use his best endeavours to raise additional capital to enable the company to continue trading; is that correct?

A. That's correct.

Q. Mr. Conor Haughey approached Mr. Desmond, who agreed to provide additional funds for the company and these were eventually converted to shares in the company?

A. That's correct.

Q. I think you have informed the Tribunal that you initially had 10,000 shares purchased when the company was set up, and you purchased an additional new 6,666 shares at 32

pence each in March of 1990 when Feltrim, and that's

Connery

A. Connery.

Q. Connery merged?

A. That's correct.

Q. And I think you have informed the Tribunal that in 1992 you

provided a loan of €6,421 to the company, and this sum was

converted to 124,820 shares in the company at 5 pence each

at the time the running of the company was taken over.

This then gave you a total of 141,486 shares; and following

the restructuring of the company's capital, this was

reduced to a third in new shares, giving you a total of

whatever; 47,162 shares; is that correct?

A. That's correct.

Q. I think you have informed the Tribunal that you never

purchased existing shares from third parties, and only

subscribed for new shares in the public offerings that the

company had, from time to time?

A. That's correct.

Q. I think the loan of €6,421 given by you to the company in

1992 was to assist the company in maintaining an interest

in the patent on the gold extraction process on a worldwide

basis; is that correct?

A. That's correct.

Q. This was the main asset of the company and the process was

being developed by the company with the help of, you

believe the Dublin Institute of Technology in Kevin Street,

Dublin. This extraction process was the only environmentally friendly process to extract gold from deposits without the use of toxic acids which all other processes used and proved to be the main attraction to others interested in Feltrim?

A. That's correct.

Q. And I think Mr. Trevor Watkins gave evidence about that particular loan made by you?

A. That's correct.

Q. That was used exclusively for the purpose of keeping the patent application

A. Otherwise the company would have lost that right and that was the main asset of the company at the time.

Q. Yes?

A. And in fact it is still the main asset of the company.

Q. Yes. Now, would it be fair to say and we have been through a schedule prepared by Deloitte and Touche about the company's affairs over the various years from its formation in 1988 onwards; that the company was as Mr. Watkins described it; in dire straits?

A. It was, yes.

Q. Yes?

A. Yes.

Q. And as Mr. Murphy, the insurance broker, has just indicated there, it didn't appear to be trading, as far as he was concerned anyway?

A. Yes, we had cut back operations totally.

Q. Yes. And at the time that you were asked to make this loan, was it Mr. Watkins who asked you to make the loan; can you remember?

A. Mr. Watkins would have made me aware that if we didn't make the payment we would lose the right on the patent. I knew that was the end of the company and the shareholders would have lost everything.

Q. Lost everything. That was the one asset?

A. Yes.

Q. That gave some cause for some hope?

A. That's right.

Q. Perhaps?

A. Yes. Because it was the only environmentally friendly one.

Q. Yes; and in relation to the monies paid by Mr. Desmond, which were eventually converted to shares in the company?

A. That's right.

Q. That was a loan of €55,000?

A. That's correct. Yes, in '91.

Q. In '91. We also had evidence this morning, and Mr. Dermot

Desmond has confirmed that there is an extract, there was

an extract from the minute of February 1991 that Mr.

Desmond was prepared to give a guarantee to Allied Irish

Banks, I think, to the extent of €45,000 to support

borrowings which the company may have wished to make from

Allied Irish Bank. Maybe you are not familiar

A. I haven't seen the minutes, so unfortunately

Q. Yes.

A. You know?

Q. The minutes do not seem to record anywhere Mr. Desmond's loan or Mr. Stakelum also made a loan of £15,000?

A. I believe they were recorded. Well, they show up in the bank statements.

Q. They certainly show up, there is no doubt about that, they certainly do show up in the bank statements?

A. There would have been, at that time, an urgency to get something in.

Q. Yes.

A. To keep the company going, to look after the shareholders.

Q. Just as far as you were concerned, was there any sensitivity about that particular loan?

A. None whatsoever.

Q. None whatsoever. Like you as the chairman, you were aware that the money was coming in from Mr. Desmond?

A. Oh, yes. Yes.

Q. And from Mr. Stakelum, I presume, in due course?

A. Yes.

Q. I am just wondering do you remember; I know you are involved in many companies; can you remember about Mr. Desmond's loan of £55,000? Do you know, did you approach Mr. Desmond?

A. No. The Board at the time would have been aware, would have been discussing the severe situation that the company was in, and each director would have been asked to, you know, to see if they could raise funds from outside

sources.

Q. Yes.

A. To keep the company going and also to develop this process.

Q. Yes.

A. Conor would have been, might have offered to approach Dermot Desmond, but the Board would have been aware that he was approaching him. I certainly was aware.

Q. You were aware.

A. Yes.

Q. Do you know if you had had, yourself, any meetings with Mr. Desmond about this particular

A. I don't remember any meetings. I don't think there were any. There could have been a conversation on a telephone.

Q. Yes.

A. But I certainly don't remember any meeting.

Q. Yes. Now, the loan itself, now this was a PLC?

A. Um-hmm.

Q. Albeit in dire straits?

A. Yes.

Q. At that stage?

A. Yes.

Q. There was an informality really, wasn't there, about the arrangements for the loan from Mr. Desmond and from Mr. Stakelum?

A. I agree, because the urgency was to keep the company going.

Q. Yes, yes. But there was, there was no, there was no documentation of any sort, there didn't seem to be any type

of agreement time to repay?

A. An agreement, possibly, there certainly must be some record in the company; there certainly would be a record in the bank statement.

Q. Oh no, the money went into the company, there can be no doubt about that, Mr. Cahill. Actually both loans we can see going into the bank statement?

A. Um-hmm.

Q. Are on the bank statement, there is no doubt about that, but what I am saying is that even allowing for the urgency of the situation, of needing to get money in fast, it never seemed to have been regularised subsequently until these loans were converted into shares?

A. Converted to shares.

Q. Isn't that right?

A. That seems correct, yes.

Q. That there was nothing, even by way of letter or anything like that, saying, you know: "We would repay it in a given period of time"?

A. I haven't seen any.

Q. Well, what - I know the concern of the directors was to see if people would invest in the company?

A. Um-hmm.

Q. Or maybe even lend money to the company, as was the case of Mr. Desmond and Mr. Stakelum; was there any discussion about, generally, the terms applicable to these monies advanced by way of loans?

A. I don't remember any. The company would have been hoping to trade out of the situation.

Q. Yes, I can understand that. And the - in fact the company got into such a bad, or into such dire straits then creditors were asked to

A. That's right.

Q. To convert them into shares; isn't that right?

A. Including myself.

Q. Including yourself. Of course, yes, so

A. All the shareholders did well in the end.

Q. Yes.

A. Which was fortunately the case.

Q. When the company, sort of changed, didn't it, it was a different company in real terms?

A. Yes; again that was due, mainly, to the leeching process.

Yes.

Q. Could I ask you this; how did you first become involved in the company, and who asked you to become chairman?

A. I had a phone call from Mr. Charles Haughey, wanting to know would I become chairman of this company. I subsequently met with Mr. Conor Haughey and had some discussions with him about it, and after that I met with Emmett O'Connell and Jim Stafford and arising out of all those; and I checked the business plan and in fact I have it here, which I don't know if, Chairman, anybody has a copy of this. The original

Q. We do indeed, yes?

A. That shows, it is a pretty well thought out, you know, plan and there is also details of the, where the explorations were going to take place and also an assessment by an expert. So it seemed to be - the shares were doing well, they were, from memory.

Q. Sorry, they doubled on the first day.

A. They were six or seven hundred shareholders, I took phone calls from people, looking for shares.

Q. Apart from being asked would you become chairman or would you get involved, or become chairman of this particular company; did you have any other dealings with Mr. Charles Haughey about the company?

A. None whatever. That was the only contact with him on this company.

Q. Thank you very much indeed Mr. Cahill.

MR. CONNOLLY: No questions.

CHAIRMAN: Mr. Murray?

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. MURRAY:

MR. MURRAY: Just to clarify one point. Mr. Cahill, you referred to the loan which Mr. Desmond made in August of 1991. I think it is your recollection that it was Mr.

Conor Haughey who approached Mr. Desmond in relation to that loan; is that correct?

A. That's correct.

Q. And I think so far as you are concerned you have no

recollection of approaching Mr. Desmond in relation to that?

A. No, none whatsoever.

Q. You will be aware that there was an earlier investment made by Mr. Desmond in the company, about a year before that, when he acquired 83,000 odd shares. Did you have any dealings with Mr. Desmond in relation to that investment insofar as you can recall?

A. No, no. That was a straight purchase of shares at an offering.

MR. MURRAY: Thank you very much.

A. Thank you.

CHAIRMAN: We know, Mr. Cahill, obviously that by 1993 the state of the company was critical, but at the stage, when it was effectively founded in that, we have had some difference of view from Mr. Stakelum and Mr. Watkins, perhaps, did it seem to you, allowing for the inherent risk in any exploration venture, to be a potentially viable enough project?

A. Well chairman, yes it did. Because looking at the prospectus and looking at the assessment by an independent valuer, an expert, a mining expert, I mean I would have taken that at the time, that it was valid.

CHAIRMAN: Yes.

A. We all knew there was a risk in it, but I think at the time there was, Ireland was full of mining possibilities.

CHAIRMAN: Yes. Thank you very much for your attendance and assistance, Mr. Cahill.

MR. COUGHLAN: Those are the available witnesses for today, Sir.

CHAIRMAN: Tuesday at half past ten

MR. COUGHLAN: Tuesday at half past ten so. Thank you.

THE HEARING WAS THEN ADJOURNED UNTIL TUESDAY, THE 30TH MAY, 2000, AT 10:30 AM.