



## El Nino Wins International Commercial Arbitration Against George Kavvadias and his Company Global Consulting Group Ltd.

**January 6th, 2014**, Vancouver, BC; El Nino Ventures Inc. (“ELN” and the “Company”) (TSX.V: ELN; OTC Pink: ELNOF Frankfurt: E7Q) is pleased to announce that the Company has been successful in winning its arbitration proceedings against both George Kavvadias and Global Consulting Group Ltd. (“GCP”), a company controlled by George Kavvadias. The arbitrator has overwhelmingly found El Nino’s claims to be valid and in making his award to El Nino, the Arbitrator has declared the following in favour of El Nino:

- Georges Kavvadias and GCP must return all assets of Infinity Resources SPRL (Infinity is 70% owned by El Nino Ventures) to the control of the El Nino which include but is not limited to the mining permits and site, vehicles, equipment, drill core, data and all records financial or otherwise.
- Georges Kavvadias and GCP have no right to participate in the activities of Infinity Resources Sprl beyond the rights as a minority shareholder.
- The request by Georges Kavvadias for the DRC Mining Exploration Permits 5214/5215/5216/5217 to be transferred into Mikuba Mining is denied.
- The DRC Mining Exploration Permits (Kasala); 5214/5215/5216 and 5217 are the property of Infinity Resources Sprl.
- GCP shall forthwith deliver and endorse 20% of its shares in Infinity Resources Sprl over to Hassan Sabra (original holder of the Kasala permits).
- El Nino did not breach either of the Joint Venture Agreement or the Option Agreement from a failure to pay the final instalments of USD\$100,000 and 100,000 shares to fully earn its 70% interest in the Kasala claims or by not paying exploration and development costs in the amount of USD\$296,626.70 up to May 18, 2010 as claimed by Mr. Kavvadias and GCP.
- GCP must pay El Nino Ventures Inc. damages in the amount of USD\$101,850.32.
- El Nino may set off the USD\$100,000 final instalment under the Joint Venture Agreement and Option Agreement.

Harry Barr President and Chairman commenting on the results of the arbitration stated that, “*Although the arbitration took an exceedingly long time to complete, the results justified management’s relentless efforts to bring Mr. Kavvadias/GCP to accountability and retain the assets on behalf of the shareholders in its 70% owned joint venture company Infinity Resources Sprl. The above is a partial award and a hearing is set for early February, 2014 to determine further costs in favour of El Nino which include its legal costs and other costs of the arbitration. Management of ELN is expecting this award to be substantial. As this was an*

*international commercial arbitration, the results will support the company's efforts in the DRC to bring closure to the appeals by Mr. Kavvadias from being removed as Gerant and for his fraudulent attempt to transfer the Kasala mining permits into his company Mikuba Mining. To date, we have received a great deal of interest from major and mid-size companies who may want to joint venture with El Nino on the Kasala project. We will continue to advance discussions with the interested parties with an aim to advance the Kasala project in 2014."*

El Nino would like to acknowledge our joint venture partner, Mr. Hassan Sabra, who has continually worked within the framework of the Joint Venture to advance the Kasala project and has worked tirelessly with El Nino to secure the assets of Infinity Resources Sprl.

In announcing his decisions, the arbitrator went into great detail providing analyses for the basis of his partial award. In part, the arbitrator stated;

- **Georges Kavvadias and GCP misrepresented that it was the legal owner of the mining permits.** GCP was never the owner of the permits and no legal ownership of the permits ever vested in GCP.
- **Georges Kavvadias and GCP were in substantial breach as at May 18, 2010.** That Mr. Kavvadias was threatening to transfer the Kasala project to another investor to the exclusion of El Nino. That he had misused his Power of Attorney, had not delivered 20% of the shares of Infinity to Mr. Sabra, had improperly accused El Nino of fraud, had misused his control over Infinity to pay himself monies to which he was not entitled and failed to deliver control of Infinity over to El Nino. El Nino was not under any legal obligation to comply with its obligations under the respective agreements when GCP was in substantial breach of its obligations.
- **The use of the Power of Attorney by Mr. Kavvadias to appoint himself Gerant of Infinity was improper.** The minutes of the meeting in which that appointment was said to have been made were not delivered to the then President, Jean Luc Roy and were not registered with the appropriate authority in the DRC. By using the Power of Attorney to so appoint himself as Gerant, **Mr. Kavvadias overstepped his authority to create a corporate joint venture vehicle in the DRC for the operation of the Kasala project.**
- Mr. Kavvadias also overstepped his authority as the in-country manager of the project to grant GCP a right to remuneration under the May 29, 2007 Consulting Agreement. Mr. Kavvadias had signed the contract on behalf of both GCP and on behalf of El Nino. **El Nino was not aware of that contract and a copy was not produced by Mr. Kavvadias until the very last days of the arbitration hearing. The arbitrator stated that there is serious doubt that the contract between Infinity and GCP was ever made. It was never listed in the documents submitted by Mr. Kavvadias nor referred to in his written argument.**
- A fundamental misconception on the part of Mr. Kavvadias was that he had a contractual right under the Joint Venture Agreement and the Option Agreement to be paid for the management and logistics of the project in the DRC.
- The Joint Venture Agreement contained a provision for El Nino and GCP to negotiate a separate agreement setting out the conditions under which GCP and El Nino would work together. Such agreement was reached in the 2007 Consulting Agreement with Mr. Kavvadias. No such agreement was reached in writing regarding the role of GCP.

- When the Consulting Agreement terminated on its face after two years there was no obligation on El Nino to renew the agreement. The agreement was then on a month to month basis and terminated in May of 2010. **In giving his reasons, the arbitrator stated that El Nino had many valid reasons to terminate the relationship with Mr. Kavvadias and GCP and any role for GCP in the ongoing operation of the project.** Mr. Kavvadias had been trying to shop the Kasala project to other investors to the exclusion of El Nino. He started lawsuits which had the effect of frustrating the development of the project. He was paying himself disputed monies out of Infinity accounts. He was wholly uncooperative with El Nino. He accused El Nino of fraud. **He misused the Power of Attorney to appoint himself as Gerant of Infinity.**
- The evidence supports the conclusion that the efforts of Mr. Kovacs, El Nino's Sr. Geologist, to visit the project site were frustrated by Mr. Kavvadias. **The fact that the vehicles did not have adequate tires for the site visit was the fault of Mr. Kavvadias, who apparently diverted the monies for some other purpose.**
- **The suggestion by Mr. Kavvadias that he was entitled to be compensated as the Gerant of Infinity because the shareholders had elected him to that position was unsustainable because he had improperly used the Power of Attorney from Jean Luc Roy to vote the shares of El Nino.** He also voted the shares of Mr. Sabra without authorization. Further, the Articles of Infinity indicated that an 80% vote of shareholders would be required to remove Mr. Kavvadias as the Gerant. Such provision would effectively exclude El Nino from any control over mining operations notwithstanding its majority position as a 70% shareholder and the fact that it was funding the exploration and development. A court in the DRC set aside the appointment of Mr. Kavvadias. He appealed that decision and under the laws of the DRC a court order is stayed pending the conclusion of the appeal. Mr. Kavvadias has not prosecuted the appeal. It remains in limbo. The stay of proceedings does not change the fact that Mr. Kavvadias clearly acted improperly in using the Power of Attorney to vote himself Gerant of Infinity.
- The obligation to share profits with GCP under the Joint Venture Agreement would continue notwithstanding the fact that GCP was in substantial breach of the Joint Venture Agreement and Option Agreement if El Nino chose to affirm those contracts. **As well the arbitrator found that El Nino is entitled to exercise its majority control over the operations of Infinity.** The various breaches of the Joint Venture Agreement and Option Agreement by GCP through Mr. Kavvadias, egregious as they were, do not disentitle GCP to the benefit of those agreements except to the extent that any monies found to be lawfully owing by GCP to El Nino may be deducted from the GCP share of profits. GCP is not entitled to rescission of the Joint Venture Agreement or the Option Agreement or to surrender of the mining permits.
- As Mr. Kavvadias said himself, the crisis between El Nino and GCP started in September of 2008 after El Nino decided to place the Kasala project under care and maintenance even though sufficient funds had been raised to cover costs of the 2008 drilling program. Mr. Kavvadias was concerned about irregularities in expenditures by Jean Luc Roy and abuse of shareholder funds. Another concern raised by Mr. Kavvadias related to what he called serious questions about the El Nino financial statements. He said that the exploration expenditures were inflated by El Nino. **In respect of these concerns that apparently motivated the subsequent conduct of Mr. Kavvadias, he clearly exceeded his remit.** As a minority joint venture partner through GCP it did not fall to Mr. Kavvadias to second-guess the financial strategies of El Nino, the in-house management of corporate expenditures or the financial statements published by El Nino. **The claims by Mr. Kavvadias that El Nino recorded some**

CDN\$2.0 million on its books that was not expended on the Kasala project were clearly misconceived. Many payments made directly by El Nino to assayers and suppliers would not show up on the Infinity books.

- **The lawsuits brought by Mr. Kavvadias in the DRC on the basis that El Nino acted fraudulently in the expenditure of monies raised in public markets and in public filings of the accounts of El Nino were baseless.**
- Mr. Lines, El Nino's Sr. Geo. and Project Manager for Kasala quoted Mr. Kavvadias as saying "the war will now just begin", that he will have "court cases raining on them", that he will "start a campaign in the courts, with government and in the press" and that El Nino will not be able to operate in the DRC when he starts his campaign. Even though Mr. Kavvadias denied using those words or believed that the email was prepared by Mr. Lines, the predicted events did come to be realized. The threats set out in the Lines email were consistent with the conduct of Mr. Kavvadias. He set about to make it impossible for El Nino to function in the DRC. Mr. Kavvadias was attempting to move the mining permits into Mikuba Mining (a company controlled by Mr. Kavvadias) so that he could have exclusive control over the permits and exclude El Nino from the Kasala project. **There can be no doubt that Mr. Kavvadias embarked upon a scorched-earth policy to cut El Nino out of the Kasala project** largely because he considered El Nino to be in breach of obligations under the Joint Venture Agreement and the Option Agreement to fund the exploration program. In at least one press release prepared by Mr. Kavvadias he announced that the El Nino assets in the DRC would be transferred to GCP.
- **The various invoices tendered by Mr. Kavvadias in August 2009 for such matters as storage rent and mapping and travel going back to the year 2007 were not valid. There was no record to support any agreement by El Nino to pay those amounts.**
- In the face of the many instances of unlawful conduct by Mr. Kavvadias, El Nino required that Mr. Kavvadias and Mr. Sabra sign a release and acknowledgement of the entitlement of El Nino to the Kasala properties before payment of the final USD\$100,000 and 100,000 shares owing under the Option Agreement. **As at May 18, 2010, Mr. Kavvadias was in breach of the Joint Venture Agreement and the Option Agreement on a number of levels.** He had been trying to cut El Nino out of the Kasala properties by moving the mining permits into a company that he owned. He had accused El Nino of fraud. He was demanding payments to GCP that were not owed. He was not providing adequate accounting information to El Nino. He was belligerent to virtually everyone at El Nino. He had taken over complete control of Infinity even though El Nino was the majority shareholder. He did not give Mr. Hassan Sabra his shares in Infinity or give Mr. Sabra any meaningful opportunity to vote those shares. He instructed lawyers to write demand letters to El Nino in the name of Infinity. Mr. Kavvadias was trying to take over the Kasala properties for himself. **Such gross demonstrations of bad faith justified El Nino in demanding that Mr. Kavvadias sign off upon the final payment under the Option Agreement. There was no foundation for GCP to issue the first Notice of Default dated May 19, 2010.**
- In the second Notice of Default dated May 21, 2010, GCP claimed that El Nino was in breach of the Joint Venture Agreement by reason of its failure to fund the development of the Kasala project. While the Joint Venture Agreement and the Option Agreement provided that El Nino would fund the exploration and development of the Kasala project, it was not a breach of either agreement for El Nino to place the project on care and maintenance when the economic downturn occurred in 2008. There were no requirements as to timing or amount of funding. There was no basis upon which Mr. Kavvadias or

GCP were permitted to question the internal housekeeping of El Nino or the manner in which it dealt with Jean Luc Roy. Mr. Kavvadias was not entitled to insist upon any particular level of funding. The root of much of the problems that arose after September 2008 was the misapprehension by Mr. Kavvadias that he was entitled to question the expenses of Jean Luc Roy, the expenditures of El Nino, the amount of funding raised by El Nino in public markets or the amount that El Nino spent on the Kasala project. **Mr. Kavvadias and GCP were not entitled to question the affairs of El Nino and there is no basis upon which the second Notice of Default can be upheld.**

- El Nino claimed that GCP/Mr. Kavvadias were liable for damages for fraud, misrepresentation or breach of contract. In the analysis of the arbitrator, GCP owed trust-like obligations to El Nino in respect of the handling of the assets of Infinity which assets included the mining permits and monies paid over by El Nino to fund the Kasala project. **GCP is liable for breach of trust-like duties by charging El Nino from amounts that were not owed, by Mr. Kavvadias paying himself out of Infinity accounts and by Mr. Kavvadias attempting to move the mining permits out of the control of El Niño and into the name of Mikuba Mining.**

**The conduct of Mr. Kavvadias, for which GCP is responsible, was unconscionable and constituted equitable fraud.**

GCP was also responsible in law both as manager of Infinity and under the Joint Venture Agreement and the Option Agreement to account for monies received by Infinity. GCP was obliged to prove that monies paid by El Nino were not improperly diverted. GCP attempted to prove that all monies were properly spent by tendering extensive accounting records at the evidentiary hearings. Many of these documents should have been provided to El Nino years earlier. It was not possible to verify from these confusing accounts that monies paid by El Nino were properly spent on the Kasala project. Where a party subject to trust-like obligations is guilty of unconscionable conduct the party to whom those duties are owed is entitled to equitable compensation.

- The mutual release signed by Mr. Kavvadias on his own behalf and on behalf of GCP dated October 23, 2009, was effective to settle all claims by GCP and Mr. Kavvadias to remuneration based on the oral agreement to pay USD\$22,500 per month. Under the Mutual Release GCP and Mr. Kavvadias discharged and released El Nino from any and all claims for remuneration as set out in the British Columbia lawsuit launched by Mr. Kavvadias. **It was accordingly improper for Mr. Kavvadias to launch a second proceeding in the DRC that included the same amounts.**
- Mr. Kavvadias took the view that the oral agreement with Mr. Barr for the balance to be paid when El Nino was in funds was enforceable. Aside from the question of whether or not Mr. Barr actually made the oral representation, the written release cannot be varied by a collateral oral agreement. As a matter of law the sum paid to Mr. Kavvadias in settlement of the British Columbia litigation was a full and final settlement of all claims. **The alleged contract dated May 29, 2007 between GCP and El Nino that was produced on the last day of evidentiary hearings did not constitute any legal basis for any further claim by Mr. Kavvadias for remuneration. It was a document of dubious authenticity and in any event was a contract created by Mr. Kavvadias and signed by him for both parties.**
- From the accounting documents provided by GCP, it would appear that subsequent to the Mutual Release signed on October 23, 2009, Mr. Kavvadias sought to apply various sums to accounts that were

not authorized including USD\$5,289.96 for ex pat schooling, USD\$1,293 for ex pat holiday travel, USD\$7500 for ex pat housing, USD\$10,617.36 for medical costs, USD\$37,200 for office and warehouse rental, USD\$10,450 for mapping and USD\$22,000 GCP services in excess of the USD\$15,000 per month that was agreed. In addition, of the USD\$7,800 forwarded in a six month period for vehicle repair and maintenance, only about USD\$300 was shown to have actually been spent for that purpose. El Nino could not ascertain where the other USD\$7,500 was spent and Georges Kavvadias's accounting documents do not assist. The total monies not shown on the accounting records to have been spent on authorized purposes totalled USD\$101,852.32. Damages in this amount are allowed El Nino as equitable compensation.

- There is continuing dispute regarding whether or not El Nino has been deprived of the core samples and other assets of Infinity including motor vehicles. **GCP takes the position that all assets of Infinity including the core samples will be made available to El Nino upon a ruling of this arbitration that such assets, including the mining permits, are the property of Infinity. At this juncture Mr. Kavvadias must be taken at his word.** In the event that there is a subsequent complaint that Mr. Kavvadias or GCP has converted the assets of Infinity, whether in the form of vehicles and equipment, the drill core or the mining permits then it is open to El Nino to bring a new claim for conversion. **The ruling in this arbitration is that the Joint Venture Agreement and the Option Agreement are not terminated and that El Nino is entitled to exercise its 70% control over the operation of the Kasala project. GCP will act unlawfully if it continues to assert control over the assets of Infinity or blocks access to those assets.**
- George Kavvadias and GCP Group are not entitled to a declaration that Infinity holds the mining permits as bare trustee for GCP or to an order that the permits be transferred to GCP. Georges Kavvadias was a mere finder and is entitled only to the finder's fee as set out in the Joint Venture Agreement and the Option Agreement. The mining permits were never the property of GCP. GCP only served as the middleman to negotiate the transfer of the mining permits from Fonaco SPRL to Infinity Resources SPRL. The consideration has been paid to Mr. Sabra under the Contract between Mr. Sabra and GCP dated May 18, 2007 that gave rise to the Assignment Contract dated June 20, 2007 under which the mining permits were assigned to Infinity and which was attached as Schedule A to the Joint Venture Agreement. The mining permits are vested in Infinity. El Nino as majority shareholder of Infinity is responsible to ensure that 20% of the shares of Infinity are endorsed over to Mr. Sabra. **Mr. Kavvadias and GCP Group do not now and never have had any right to hold the mining permits.**
- **Mr. Kavvadias and GCP must vacate the field and return all assets to the control of El Nino including the mining permits and site, vehicles, equipment, drill core and data.** GCP must act reasonably to ensure a smooth transition and transfer of property to El Nino or risk losing its share of Net Smelter Return and net profits proportionate to its interest in Infinity as granted under the Joint Venture Agreement.

Management believes that having the Kasala project back under the company's control will contribute further value to our shareholders and complement the company's existing portfolio of assets which include our interests in the Murray Brook project and the BOJV in the Bathurst Mining Camp, New Brunswick. For further information visit the company's website or contact investor relations at 1 (604) 685-1870.

## **About El Nino Ventures Inc.**

El Niño Ventures Inc. is an international exploration company, focused on exploring for zinc, copper, lead, and silver in New Brunswick, Canada and copper/cobalt in the Democratic Republic of Congo ("DRC").

On Behalf of the Board of Directors,



**Harry Barr**

**Chairman & CEO**

**El Niño Ventures Inc.**

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