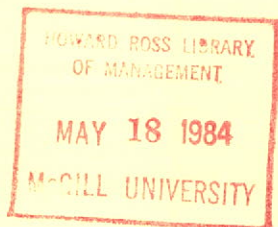


# **LIBERIAN IRON ORE LIMITED**



Annual Report **1983**



# LIBERIAN IRON ORE LIMITED

DOUGLAS BUILDING,  
72 UNIVERSITY AVENUE,  
CHARLOTTETOWN,  
PRINCE EDWARD ISLAND,  
CANADA.

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

*NOTICE IS HEREBY GIVEN* that the Annual Meeting of Shareholders of LIBERIAN IRON ORE LIMITED will be held at the office of Ogilvy, Renault, Suite 1200, 1981 McGill College Avenue, Montreal, Quebec, Canada, on Thursday June 7, 1984 at the hour of 1 o'clock p.m., Eastern Daylight Saving Time, for the following purposes:

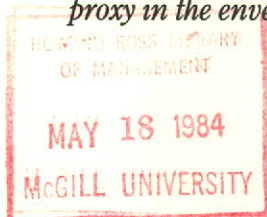
1. To receive the annual report of the Board of Directors and the financial statements of the Corporation and the auditors' report thereon for the year ended December 31, 1983;
2. To elect directors;
3. To appoint auditors; and
4. To transact such other business, if any, as may properly come before the meeting.

By the order of the Board of Directors:

INGEMAR UUSSAAR  
*Secretary*

May 2, 1984

*If you are unable to be present in person, please date, sign and return the enclosed form of proxy in the envelope provided for that purpose.*



# MANAGEMENT PROXY CIRCULAR

## SOLICITATION OF PROXIES

This Management Proxy Circular is furnished in connection with the solicitation by the management of Liberian Iron Ore Limited (the "Corporation") of proxies to be used at the Annual Meeting of Shareholders of the Corporation to be held at the time and place and for the purposes set forth in the foregoing notice of the meeting. The solicitation will be by mail. The cost of solicitation by management will be borne by the Corporation. The Corporation may pay persons holding shares in their names or those of their nominees for their expenses in sending soliciting material to their principals.

## APPOINTMENT AND REVOCATION OF PROXIES

The persons named as proxy in the accompanying form of proxy are directors of the Corporation.

A shareholder desiring to appoint some other person to represent him at the meeting may do so either by striking out the printed names and inserting the name of his nominee in the blank space provided for that purpose in the accompanying form of proxy or by completing another form of proxy containing the name of such person. A person acting as proxy need not be a shareholder of the Corporation.

A shareholder who executes and returns the accompanying form of proxy may revoke it, in addition to any other manner permitted by law, by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or any adjournment thereof.

## VOTING SHARES

The Corporation has outstanding 3,955,025 common shares without nominal or par value, each carrying the right to one vote per share. The directors and officers of the Corporation do not know of any person or company beneficially owning or exercising control or direction over shares carrying more than 5% of the votes attached to all shares of the Corporation, other than The Swedish LAMCO Syndicate, Gränges AB & Co., Handelsbolag (the "Syndicate"), which owns beneficially 2,959,040, or approximately 74.8%, of the outstanding shares. Gränges AB, a Swedish company, also beneficially owns such shares indirectly as the holder of the entire interest in the Syndicate. Gränges AB is a subsidiary of AB Electrolux, also a Swedish company.

## ELECTION OF DIRECTORS

The Board of Directors consists of five directors to be elected at each annual meeting of shareholders. Except where authority to vote on the election of directors is withheld, the persons named as proxy in the accompanying form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the Board of Directors. The management of the Corporation does not contemplate that any of the nominees will be unable, or for any reason will become unwilling, to serve as a director but, if that should occur for any reason prior to the election, the persons named as proxy in the accompanying form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting or until his successor is duly elected, unless his office is earlier vacated by resignation, death or incapacity.

Name, age, nationality, position and office with the Corporation and principal occupations and employment during the last five years	Became director	Approximate number of the Corporation's voting shares (common shares) beneficially owned or over which control or direction is exercised (1)
BO ABRAHAMSSON, 52 (Swedish) Vice Chairman of the Corporation; Vice Chairman (since May 1982) and President (from June 1, 1977 until May 1982) of Gränges AB (mining and nonferrous metals fabrication) and President and owner of Motivation Bo Abrahamsson AB (management consultants), Stockholm, Sweden.	1978	1 (2)
GÖSTA BYSTEDT, 54 (Swedish) Chief Executive Officer of AB Electrolux (manufacturer of household appliances, machinery and equipment) and President of Gränges AB (mining and non-ferrous metals fabrication) Stockholm, Sweden.	1983	– (2)
BROCK F. CLARKE, Q.C., 64 (Canadian) Partner of the law firm of Ogilvy, Renault, Montreal, Quebec, Canada.	1963	9
ALAN G. THOMPSON, 56 (Canadian) Chairman of Brink Hudson & Lefever Ltd. (investment dealers and stock brokers); and Director of J. Henry Schroder & Co. Limited (financial services), West Vancouver, British Columbia, Canada.	1974	1,000
HANS WERTHÉN, 64 (Swedish) Chairman of the Corporation, Chairman of AB Electrolux (manufacturer of household appliances, machinery and equipment); Chairman of Gränges AB (mining and non-ferrous metals fabrication); and Director, The Tappan Company (consumer durables), Stockholm, Sweden.	1977	1 (2)

(1) The information as to the number of shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually. None of the directors owns beneficially more than 1/10th of 1% of the outstanding common shares.

(2) Does not include 2,959,040 shares owned by the Syndicate, as to which such person may be deemed to be a "controlling person".

In addition to the common share of the Corporation set forth above, Messrs. Abrahamsson, Bystedt and Werthén own beneficially 2,200 shares, 79,395 shares and 283,650 shares (50 Kronor), respectively, of AB Electrolux. Messrs. Abrahamsson, Bystedt and Werthén also own beneficially convertible notes of AB Electrolux in the principal amounts of 400,000 kronor, 1,644,340 kronor and 2,000,000 kronor respectively.

The directors and officers of the Corporation as a group beneficially own 1,021 (less than 1%) common shares of the Corporation 365,245 (approximately 1.5%) shares (50 Kronor) of AB Electrolux and 4,044,340 kronor (approximately 0.5%) convertible notes of AB Electrolux.

During 1983, there were five regular and special meetings of the Board of Directors of the Corporation. Mr. Werthén attended four of the meetings of the Board of Directors held in 1983.

The Corporation does not have a nominating or compensation committee. The Corporation's Audit Committee was established on December 9, 1980 and its members are Messrs. Abrahamsson, Clarke and Thompson. The Audit

Committee is responsible for recommending to the Board of Directors the auditor of the Corporation and of ensuring that both the management and the auditor of the Corporation are satisfied that the procedures followed in preparing the financial statements are in accordance with generally accepted accounting principles, that the procedures followed for the verification of the financial statements are in accordance with generally accepted auditing standards and that the accounting and auditing procedures followed are in the best interests of the Corporation. The Audit Committee does not have responsibility nor authority to alter the financial statements or the accounting procedures of the Corporation.

#### REMUNERATION OF DIRECTORS AND OFFICERS IN 1983

The following table sets forth the remuneration paid by the Corporation, The Liberian American-Swedish Minerals Company ("LAMCO"), the LAMCO J.V. Operating Company and the LAMCO Joint Venture ("the Joint Venture") during 1983 to the persons who were directors or executive officers of the Corporation at any time during 1983 as a group:

	Cash and Cash-equivalent forms of remuneration				Aggregate of contingent forms of remuneration	Total
	Directors' Fees	Salaries, Fees, Commissions, Bonuses, Non-accountable Expense Allowance and Other	Securities or property, insurance benefits or reimbursement, personal benefits			
(A) Number of directors: 6 Number of executive officers: 9*						
(B) Body corporate incurring the expense:						
(1) The Corporation	\$69,000	—	—	—	\$69,000	
(2) LAMCO	1,100	—	—	—	1,100	
(3) LAMCO J.V. Operation Co.	2,000	—	—	—	2,000	
(4) LAMCO Joint Venture	200	—	—	—	200	
	<u>\$72,300</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$72,300</u>	

\*Three of the nine executive officers were also directors.

No remuneration in excess of \$40,000 (Canadian) was paid during the year to any officer of the Corporation in his capacity as such.

Since the accounts of the Corporation are maintained in U.S. dollars, all money amounts appearing in this Management Proxy Circular are in U.S. dollars, except as otherwise indicated.

Neither the Corporation, LAMCO nor the Joint Venture has any plan or arrangement pursuant to which the directors or officers of the Corporation will receive any remuneration payments in the future or upon termination of employment. In addition, neither has any pension or retirement plans. LIO directors receive a fee of \$500 for each meeting of directors attended and held immediately following the Annual Meeting of Shareholders, a fee of \$3,000 for each meeting that is held in conjunction with a LAMCO meeting and fees for other meetings determined by the directors depending upon the circumstances. No options to purchase any securities from the Corporation, LAMCO or the Joint Venture were granted to or exercised by any officer or director of the Corporation during 1983. Neither the Corporation, LAMCO nor the Joint Venture has ever granted any stock options. No director or officer of the Corporation was indebted to the Corporation, LAMCO or the Joint Venture during 1983.

#### **Interest in Transactions**

In 1960 the Government of the Republic of Liberia granted a mining concession to LAMCO and Bethlehem Steel Corporation ("Bethlehem"), who together formed the Joint Venture, with interests in it of 75% and 25%, respectively. Bethlehem has assigned its interest to a wholly-owned subsidiary, Liberia Bethlehem Iron Mines Company. The common stock of LAMCO is owned by the Government of Liberia (50%) and the Corporation (50%). The Corporation's major shareholder, the Syndicate, is owned by Gränges AB.

By agreement among LAMCO, Bethlehem and the Syndicate, Gränges AB is employed as manager of the Joint Venture. For its management services in 1983, Gränges AB received a fee of \$661,000. LAMCO has retained Gränges AB as its exclusive sales agent for LAMCO's share of the Joint Venture iron ore production. For its services in 1983 under this agreement, Gränges AB received a fee of \$1,699,000. In addition, Gränges International Mining, a division of Gränges AB, received \$196,000 for management and administrative services rendered to LAMCO in 1983.

During 1983, the Syndicate provided goods or services to

the Joint Venture in the ordinary course of its business. Gränges AB received approximately \$4,000 for products sold to the Joint Venture, and AB Electrolux, \$40,000 for products sold to the Joint Venture.

The law firm of Ogilvy, Renault, of which Mr. Clarke, a director of the Corporation, is a partner, accrued fees of \$87,500 (Canadian) from the Corporation for legal services rendered during 1983.

#### **Annual Report, Financial Statements and Auditors' Report**

The annual report of the Board of Directors of the Corporation and the financial statements of the Corporation for the year ended December 31, 1983 and the auditors' report thereon will be presented to the meeting for the inspection of shareholders.

#### **Appointment of Auditors**

Price Waterhouse have served as auditors of the Corporation since its incorporation in 1958. Shareholders of the Corporation who wish to submit questions to the auditors shall give written notice, not less than 10 days before the meeting, to the auditors, Price Waterhouse, 153 East 53rd Street, New York, N.Y. 10022, U.S.A. Attention: Robert McDonald, and should send a copy to the Secretary of the Corporation c/o Gränges American Corporation, 666 Third Avenue, New York, N.Y. 10017, U.S.A. A representative of Price Waterhouse will not be present at the meeting unless such a notice has been received by the auditors. Except where authority to vote with respect to the appointment of auditors is withheld, the persons named as proxy in the accompanying form of proxy will vote for the re-appointment of the auditors of the Corporation at the meeting.

During the fiscal year ended December 31, 1983, Price Waterhouse provided audit services which included the examination of the financial statements of the Corporation, LAMCO and the Joint Venture and the review of certain filings by the Corporation with the United States Securities and Exchange Commission.

#### **SHAREHOLDER PROPOSALS**

In order for a shareholder proposal to be considered for inclusion in the Management Proxy Circular relating to next year's (1985) Annual Meeting of Shareholders, the shareholder proposal must be received by the Corporation not later than March 1, 1985.

#### OTHER MATTERS

The management of the Corporation knows of no matters to come before the meeting other than those referred to in the notice of the meeting. **However, if any other matters should properly come before the meeting, the accompanying form of proxy confers discretionary authority upon the persons named as proxy therein to vote on such matters in accordance with their best judgment.**

#### APPROVAL BY DIRECTORES

The contents of this Management Proxy Circular, and the sending thereof to the shareholders of the Corporation, have been approved by the Board of Directors of the Corporation.

Dated: May 2, 1984

INGEMAR UUSSAAR  
Secretary

*Upon written request, the Corporation will provide without charge to any shareholder a copy of the Corporation's latest annual report on Form 10-K, including financial statements and schedules thereto, filed with the United States Securities and Exchange Commission pursuant to the United States*

*Securities Exchange Act of 1934, or of the audited financial statements of The Liberian American-Swedish Minerals Company (LAMCO). Any such request should be directed to the Secretary, Liberian Iron Ore Limited, c/o Gränges American Corporation, 666 Third Avenue, New York, N.Y. 10017, U.S.A.*







# LIBERIAN IRON ORE LIMITED

## Annual Report 1983

THE ANNUAL MEETING OF LIBERIAN IRON ORE LIMITED SHAREHOLDERS WILL BE HELD ON JUNE 7, 1984, AT 1:00 PM AT THE OFFICE OF OGILVY, RENAULT, 1981 MCGILL COLLEGE AVENUE, SUITE 1200, MONTREAL, QUEBEC, CANADA.

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*1934, or of the audited financial statements of The Liberian American-Swedish Minerals Company (LAMCO). Any such request should be directed to the Secretary, Liberian Iron Ore Limited, c/o Gränges American Corporation, 666 Third Avenue, New York, N. Y. 10017, U.S.A.*

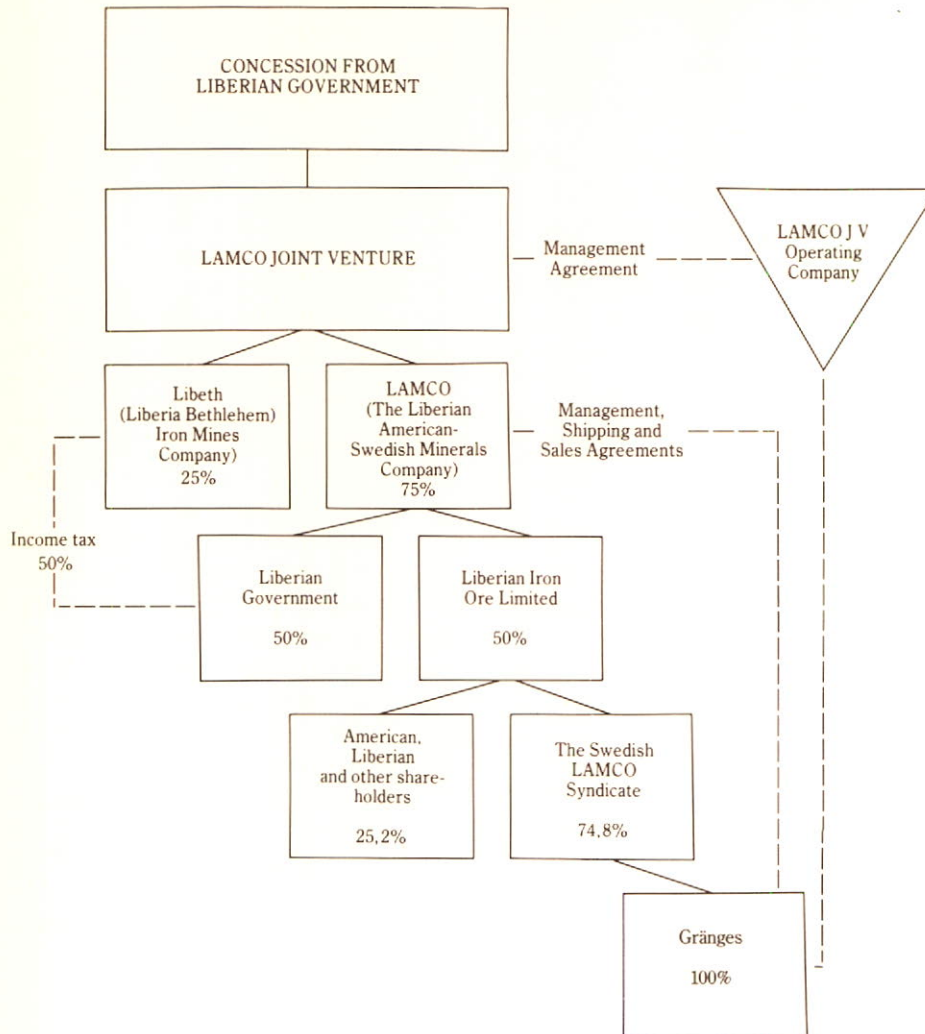


# LIBERIAN IRON ORE LIMITED (LIO)

is a partner with the Liberian Government in LAMCO, The Liberian American-Swedish Minerals Company. LAMCO, in turn, is a participant (75%) with Bethlehem Steel Corporation through its wholly owned subsidiary, Liberia Bethlehem Iron Mines Company, (25%) in the LAMCO Joint Venture iron ore project. This mining enterprise represents a basic investment

of more than \$350,000,000 in the development of high grade iron ore deposits in the Nimba Mountain region of Liberia. The mine, and the modern mining community, is connected by a 167-mile railroad with the Liberian port of Buchanan. Ore loaded here is shipped to steel plants in Europe, North America and Japan.

## LAMCO JOINT VENTURE OWNERSHIP STRUCTURE



### GRANGES INTERNATIONAL MINING

is a company in the Granges AB Group, acting as Managing Agent for and on behalf of the Joint Venturers and as Sales Agent for LAMCO.

#### OFFICER

ARNE DAHLSTRÖM – *President*

#### HEAD OFFICE

S-10545 Stockholm, Sweden

### LAMCO J.V. OPERATING COMPANY

is a subsidiary of Granges International Mining.

#### OFFICER

JOHN L. PERVOLA – *General Manager*

#### HEAD OFFICE

P.O. Box 69, Monrovia,  
Roberts International Airport, Liberia

## LETTER TO THE SHAREHOLDERS

At a special meeting of the Board of Directors of LIO, on January 14, 1983, the operations of the LAMCO mine in Liberia were reviewed together with the previously announced major cost reduction program of LAMCO and the efforts underway to deal with the serious liquidity crisis of LAMCO. LAMCO management advised the LIO directors of the steps taken to date including reduction of capital expenditures, cancellation of certain equipment purchases, scheduling of staff and employee reductions and planned reduction of ore production.

The LIO directors considered the future prospects for the investment in LAMCO, particularly in light of the current and projected depressed conditions in the world steel industry and their effect on iron ore producers, especially non-captive mines such as LAMCO. After also reviewing projections for generation of cash flow resulting from the mining of remaining high-grade ore-reserves at Nimba, expected to be depleted by 1987-88, the LIO directors decided to write-down to \$1 its investment in LAMCO theretofore carried at U.S. \$35.9 million effective retroactively as of January 1, 1982.

After taking the decision above LIO Board of Directors decided that an appropriate posture for the future would be to employ its net revenues from the earnings of its cash balances to enter into mineral exploration in Canada, particularly by participating with others in exploration programs. No suitable programmes have been found for participation by LIO in mineral exploration in Canada and none are now forseen.

After writing down the investment in LAMCO, LIO's only other assets are cash and bank certificates of deposit and short-term note receivable. On these investments LIO earned interest during 1983 at an effective annual rate of 11.6% (12.8% - 1982) on an average investment of \$6,233,000 (\$4,464,000 - 1982). LIO had a net loss of \$44,000 in 1983 or \$0.01 per share compared with a net loss of \$35.4 million or \$8.94 per share in 1982.

The Board of Directors of LAMCO determined during 1982 to authorize the redemption of all shares of Series A, B and C preferred stock, the redemption dates of which had previously been waived by the preferred stockholders. Such redemption took place on January 7, 1983 and LIO received \$2,750,000. Simultaneously with and contingent upon such redemption, LIO renounced the payment of accrued but unpaid dividends of \$3,183,000 through January 7, 1983. LAMCO effected such redemptions through long-term

borrowings guaranteed or assisted by the holders of the Series A, B and C preferred stock in the proportion of the redemption proceeds received by them. Because of LAMCO's financial condition, LIO has reflected the funds pledged as security for a loan to LAMCO as a reduction of its cash.

In June 1983 the LAMCO Board of Directors determined to authorize the next scheduled redemption and LIO received \$550,000 while renouncing dividends of \$196,000. Such redemptions were effected in the same manner as was followed for the January 7, 1983 redemption described above. The tax consequences for LIO of these redemptions are fully accounted for in Note 4 to the Financial Statements.

The economic problems experienced by the European steel industry for the past several years continued through 1983. The effects of the continuing recession in the European steel industry on the iron ore industry have been severe. Ore prices for 1983 decreased by 10% compared with 1982. Shipments eroded dramatically from 7.5 million tons in 1981 to 5.4 million tons in 1982 and 5.3 million tons in 1983. Negotiations between the iron ore producers and their customers have resulted in a general reduction in iron ore prices in 1984. In LAMCO's case the price reduction is 11%. Quantitywise there are now indications of an increased demand for iron ore in 1984. Should the improvement in market conditions observed for the first quarter of 1984 continue for the rest of the year, LAMCO's shipments in 1984 are likely to exceed those of 1983.

LAMCO did not have a net profit from 1977 to 1981. Its net loss in 1980 of \$3.2 million deteriorated to a net loss of \$18.0 million in 1981. LAMCO had a slight profit of \$70,000 in 1982. For 1983 LAMCO's net loss amounted to \$9.8 million and losses are expected to continue in 1984.

During 1983 LAMCO implemented the cost reduction program approved by the LAMCO Board of Directors. The cost reduction program included a redundancy program which resulted in the termination of approximately 1,300 employees during the first six months of 1983. Special redundancy payments of \$4.6 million associated with the termination of these employees is included in the 1983 cost of production. The cost of the special redundancy payments was offset by a reduction of the pension obligation of \$4.2 million. The restructuring resulted in the reduction of the Lamco Joint Venture's production volumes by approximately one third.

March 1984

## BOARD OF DIRECTORS

HANS WERTHÉN  
*Chairman*

*Chairman of AB Electrolux,  
Chairman of Granges AB, and  
Director, The Tappan Co.,  
Stockholm, Sweden*

GÖSTA BYSTEDT

*Chief Executive Officer of AB Electrolux  
and President of Granges AB, and  
Director, The Tappan Co.,  
Stockholm, Sweden*

BO ABRAHAMSSON  
*Vice Chairman*

*Vice Chairman of Granges AB,  
Stockholm, Sweden*

BROCK F. CLARKE, Q.C.

*Partner of the law firm of Ogilvy,  
Renault, Montreal, Quebec, Canada*

ALAN G. THOMPSON

*Chairman of Brink, Hudson &  
Lefever Ltd., Vancouver,  
British Columbia, Canada*

### OFFICERS

ARNE DAHLSTRÖM  
*President*

INGEMAR UUSSAAR  
*Secretary-Treasurer*

### HEAD OFFICE

Douglas Building, 72 University Avenue,  
Charlottetown, Prince Edward Island, Canada C1A 4K9

### FOREIGN OFFICE

S-10545, Stockholm, Sweden

### COUNSEL

Ogilvy, Renault  
1981 McGill College Avenue, Montreal, Quebec,  
Canada H3A 3C1

### INDEPENDENT ACCOUNTANTS

Price Waterhouse  
153 East 53rd Street, New York, N.Y. 10022, U.S.A.

### TRANSFER AGENTS AND REGISTRARS

The Royal Trust Company  
Charlottetown, Prince Edward Island, Canada

The Royal Trust Company  
Toronto, Ontario, Canada

The Trust Company of New Jersey  
Jersey City, N.J., U.S.A.

## INFORMATION WITH RESPECT TO LIO SHARES

### MARKET FOR LIO'S COMMON SHARES

The common shares (without nominal or par value) of LIO are listed on The Toronto Stock Exchange and are traded on the over-the-counter market in New York. Until 1980, the common shares were quoted in the National Association of Securities Dealers Automated Quotation system (NASDAQ); trading in the common shares did not continue to meet the volume requirements for quotation in NASDAQ.

No dividends have been declared or paid on the common shares of LIO during the period 1979-1983.

Under applicable United States-Canada tax treaties, dividends paid by LIO to United States holders of common shares are subject to withholding taxes at a rate of 15%.

### RANGE OF PRICES PER SHARE ON THE TORONTO STOCK EXCHANGE

For quarter ending	Dividends	High Canadian dollars	Low dollars
March 31, 1982	nil	2.50	1.20
June 30, 1982	nil	1.35	0.85
September 30, 1982	nil	2.10	1.25
December 31, 1982	nil	1.55	1.00
March 31, 1983	nil	1.20	0.75
June 30, 1983	nil	1.50	1.10
September 30, 1983	nil	1.80	1.20
December 31, 1983	nil	2.31	1.60

### LIO SHARES OUTSTANDING

	1983	1982
Shares outstanding during the year _____	3,955,025	3,955,025
Number of shareholders _____	3,602	3,691
located in: Liberia _____	2,520	2,525
U.S.A. and Canada _____	889	966
Other countries _____	193	200

## REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS OF LIBERIAN IRON ORE LIMITED

We have examined the accompanying balance sheets of Liberian Iron Ore Limited as of December 31, 1983 and 1982 and the related statements of loss and (deficit) retained earnings and of changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements examined by us present fairly the financial position of Liberian Iron Ore Limited as of December 31, 1983 and 1982, and the results of their operations and changes in their financial positions for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles consistently applied.

PRICE WATERHOUSE  
New York, March 29, 1984

## BALANCE SHEETS

(Expressed in United States dollars)

December 31,  
1983                      1982

## ASSETS

## CURRENT ASSETS

Cash, including time deposits of \$5,300,000 (\$4,300,000 – 1982) _____	\$5,381,769	\$4,464,179
LESS – Time deposits pledged to secure LAMCO borrowings (Note 4) _____	(3,300,000)	
	<u>2,081,769</u>	<u>4,464,179</u>
Short-term note receivable (Note 2) _____	2,600,000	
Canadian taxes receivable (Note 6) _____		65,018
Accrued interest receivable _____	177,359	48,539
Total current assets _____	<u>4,859,128</u>	<u>4,577,736</u>
Investment in LAMCO (Notes 1, 3, 4 and 5) _____	<u>1</u>	<u>1</u>
	<u>\$4,859,129</u>	<u>\$4,577,737</u>

## LIABILITIES AND CAPITAL

## CURRENT LIABILITIES

Accounts payable _____	\$ 132,140	\$ 168,589
Unclaimed dividends _____	86,673	87,580
Canadian taxes payable (Note 6) _____	362,541	
Total current liabilities _____	<u>581,354</u>	<u>256,169</u>

## CAPITAL

Common shares without nominal or par value:		
Authorized – unlimited		
Issued – 3,955,025 shares _____	23,486,671	23,486,671
Deficit _____	(19,208,896)	(19,165,103)
Total capital _____	<u>4,277,775</u>	<u>4,321,568</u>
Commitments and contingencies (Notes 1 and 4)		
	<u>\$4,859,129</u>	<u>\$4,577,737</u>

On behalf of the Board

B. F. CLARKE

A. G. THOMPSON



## STATEMENTS OF LOSS AND (DEFICIT) RETAINED EARNINGS

(Expressed in United States dollars)

Year ended December 31,  
1983                      1982\*                      1981\*

Interest income	\$ 722,435	\$ 575,086	\$ 726,338
Expenses (Note 7)	317,529	349,528	333,250
Income before adjustments for items relating to investment in LAMCO	404,906	225,558	393,088
Write-down of investment in LAMCO (Note 1)		(35,481,712)	
Undeclared and unpaid current dividends on Series C preferred stock (Note 5)			618,750
Change in equity in the undistributed earnings of LAMCO attributable to common stock (Note 5)			( 8,299,122)
Net profit (loss) before income taxes	404,906	(35,256,154)	( 7,287,284)
Income taxes (Note 6)	448,699	101,000	350,000
Net loss	(43,793)	(35,357,154)	( 7,637,284)
(Deficit) retained earnings at beginning of year	(19,165,103)	16,192,051	23,829,335
(Deficit) retained earnings at end of year	(\$19,208,896)	(\$19,165,103)	\$16,192,051
Net loss per share	(\$ 0.01)	(\$ 8.94)	(\$ 1.93)

\*Reclassified for comparative purposes

## STATEMENT OF CHANGES IN FINANCIAL POSITION

(Expressed in United States dollars)

Year ended December 31,  
1983                      1982                      1981**WORKING CAPITAL PROVIDED (APPLIED):**

Net loss	(\$ 43,793)	(\$35,357,154)	(\$7,637,284)
Charges (credits) not using or providing current working capital:			
Write-down of investment in LAMCO		35,481,712	
Change in equity in the undistributed earnings of LAMCO attributable to common stock			8,299,122
Deferred Liberian taxes			154,687
Increase in unpaid cumulative dividends on Series C preferred stock			(618,750)
Amortization of organization and preoperating expenses			29,401
(Decrease) increase in working capital	<u>(\$ 43,793)</u>	<u>\$ 124,558</u>	<u>\$ 227,176</u>

**ANALYSIS OF WORKING CAPITAL:****INCREASE (DECREASE) IN CURRENT ASSETS:**

Cash	(\$2,382,410)	(\$ 27,912)	\$ 310,691
Short-term note receivable	2,600,000		
Accrued interest receivable	128,820	65,018	22,792
Canadian taxes receivable	(65,018)	15,744	
	<u>281,392</u>	<u>52,850</u>	<u>333,483</u>

**(INCREASE) DECREASE IN CURRENT LIABILITIES**

Accounts payable	36,449	(93,206)	26,604
Unclaimed dividends	907		
Canadian taxes payable	(362,541)	164,914	(132,911)
	<u>(325,185)</u>	<u>71,708</u>	<u>(106,307)</u>
(Decrease) increase in working capital	<u>(\$ 43,793)</u>	<u>\$ 124,558</u>	<u>\$ 227,176</u>

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1983

## NOTE 1

*WRITE-DOWN OF INVESTMENT IN LAMCO:*

Liberian Iron Ore Limited (LIO) owns 50% of the common stock of The Liberian American-Swedish Minerals Company (LAMCO) and certain other securities of LAMCO (see Note 3 for information regarding components of investments). The Government of Liberia owns the other 50% of the LAMCO common stock.

Effective January 1, 1982, the LIO Board of Directors decided to write down to \$1 its investment in LAMCO as shown below. This decision was taken at the meeting of the Board of Directors of LIO in January 1983 after reviewing the unfavorable (i) liquidity of LAMCO, (ii) projections for funds generation coming out of the remaining high-grade ore reserves of LAMCO in Liberia and (iii) priority distribution of LAMCO's assets (in thousands of US Dollars):

Write-down of investment in LAMCO at December 31, 1982	\$35,967
Write-down of organization and preoperation expenses associated with the LAMCO Joint Venture	153
Reversal of previously provided deferred Liberian taxes on future preferred stock dividends	(638)
	<u>\$35,482</u>

The following is a summary of LAMCO financial data (in thousands of US dollars):

## FINANCIAL POSITION

	December 31,	
	1983	1982
<b>Current assets:</b>		
Inventories of ore	\$47,964	\$54,830
Other	26,139	32,550
	<u>74,103</u>	<u>87,380</u>
<b>Current liabilities:</b>		
Current maturities:		
Guaranteed short-term debt	32,750	38,750
Preferred stock	2,550	19,677
Other	8,888	18,492
	<u>44,188</u>	<u>76,919</u>
Working capital	29,915	10,461

Noncurrent assets	44,040	60,387
Noncurrent liabilities	(29,778)	(14,299)
Redeemable preferred stock:		
Series A and B	(19,664)	(21,664)
Series C	(6,050)	(6,600)
Net assets	<u>\$18,463</u>	<u>\$28,285</u>

## STATEMENT OF PROFIT (LOSS)

	For year ended December 31,		
	1983	1982	1981
Sales	\$87,752	\$94,877	\$109,799
(Loss) profit from operations	(141)	7,732	(9,863)
Net (loss) profit	(9,822)	70	(17,994)

The report of the independent accountants on LAMCO for the years ended December 31, 1983 and 1982 was qualified as to the ability of LAMCO to continue as a going concern in view of its current financial condition.

Should LAMCO recover from its current financial crisis and the long-term prospects of the world steel and iron ore markets improve, LIO may recover a portion of its original investment in LAMCO at a future date. Any such gain will be recognized by LIO in the period during which LIO receives unencumbered cash distributions from LAMCO.

## NOTE 2

*RELATED PARTY TRANSACTIONS*

On December 30, 1983, LIO granted a short-term loan of \$2,600,000 to a wholly-owned Canadian subsidiary of AB Electrolux an indirect owner of 74.8% of LIO's stock. LIO received interest accruing at 10.5% per annum, a rate in excess of rates available to LIO for similar short-term investments. The loan and accrued interest were paid in full on January 13, 1984.

## NOTE 3

*INVESTMENT IN LAMCO*

LAMCO, a Liberian corporation, participates with Liberia Bethlehem Iron Mines Company (LIBETH), a wholly owned subsidiary of Bethlehem Steel Corporation, in developing and mining iron ore deposits in Liberia under a concession granted by the Government of the Republic of Liberia which expires on November 18, 2023. The LAMCO Joint Venture

Agreement between LAMCO and LIBETH provides that LAMCO has a 75% and LIBETH a 25% undivided interest in the concession and in the facilities established to develop the concession. The parties generally share the cost of the Joint Venture's production in a 75%-25% ratio. LIBETH and LAMCO are discussing the possible assumption of LIBETH's 25% interest in the LAMCO Joint Venture by LAMCO. During 1983 the Government of Liberia declared its intention to acquire LIBETH's interest in the LAMCO Joint Venture. Negotiations among the parties are continuing.

The Class A common stock is held by the Government and the Class B common stock by LIO. Under the Concession Agreement, as amended in 1974, LAMCO is required to pay a royalty to the Government in the amount of 4% of its net sales of iron ore and iron ore products during each quarter. The profit of LAMCO is distributed first to the preferred stockholders for required dividends. After these required payments are made, dividends on the common stock may be declared first to LIO as a dividend in an amount equivalent to the Government's royalty and then any remaining amount may be distributed equally to the Government and to LIO. At December 31, 1983, the amount equivalent to the Government's royalty which had not been declared as a dividend to LIO was \$25,613,596.

LIO's investment in the LAMCO Series C preferred stock is subject to the following provisions:

- (1) LIO is entitled to cumulative annual cash dividends of \$6.25 per share.
- (2) The Series C preferred stock is to be redeemed pursuant to a schedule which provides for the redemption, at \$100 per share plus accrued dividends, of 5,500 shares annually in each of the years 1978 through 1984 and of the remaining 60,500 shares in 1985. In addition, LAMCO has the option to redeem shares at \$100 per share plus accrued dividends at any time after all the bonds have been retired.
- (3) The Series A and B preferred stock has priority over the Series C preferred stock. The Series C preferred stock has priority over the Class A and Class B common stock, with respect to dividends and the distribution of assets in the event of liquidation.

LAMCO's Board of Directors has not declared dividends on the preferred stock or the Class B common stock for amounts equivalent to the accrued royalty to the Government of Liberia, or on the Class A and B common stock equally, since the third quarter of 1977.

In 1982 and prior years, the holders of preferred stock (including LIO) agreed to waive scheduled redemption of preferred stock.

#### NOTE 4

##### LAMCO PREFERRED STOCK REDEMPTIONS

The Board of Directors of LAMCO determined during 1982 to authorize the redemption of all shares of Series A, B and C preferred stock, the redemption dates of which had previ-

ously been waived by the preferred stockholders. The first of such redemptions took place on January 7, 1983 and aggregated \$17,127,000 (of which \$2,750,000 was applicable to the Series C preferred stock owned by LIO). Simultaneously with and contingent upon such redemption, the holders of such shares renounced the payment of accrued but unpaid dividends of \$15,408,000 (of which \$3,183,000 related to Series C preferred stock owned by LIO) through January 7, 1983 on all shares of Series A, B and C preferred stock. LAMCO effected such redemptions through additional long-term borrowings guaranteed or assisted by the holders of the Series A, B and C preferred stock in the proportion of the redemption proceeds received by them. In this connection LIO deposited \$2,750,000 with the lending bank and pledged such amount as security for a loan in like amount by said bank to LAMCO in order to provide the funds necessary for the aforesaid redemption. Because of LAMCO's financial condition, LIO has reflected the pledge as a reduction of its cash.

In June 1983 the LAMCO Board of Directors determined to authorize the redemption scheduled for that month. Accordingly, on June 15, 1983, LAMCO redeemed preferred shares aggregating \$2,550,000 (of which \$550,000 was applicable to Series C preferred stock owned by LIO) and the preferred stockholders renounced the payment of accrued but unpaid dividends of \$845,250 (\$196,000 of which was due to LIO). Such redemptions were effected in the same manner as was followed for the January 7, 1983 redemption described above. A further \$550,000 was pledged with the lending bank to provide funds for this redemption of Series C preferred stock.

Due to the differences between the book and tax carrying value of the Series C preferred stock owned by LIO (the "Series C preferred stock") and the strengthening of the United States dollar (the currency in which LAMCO and LIO maintain their financial statements) with respect to the Canadian dollar (the currency in which LIO prepares its tax returns), LIO likely realized a taxable gain on the redemption of the Series C preferred stock. In a formal letter received in May 1983, the Canadian tax authorities have taken the position that no part of the proceeds of redemption can be treated as a nontaxable dividend. Under this interpretation and taking a low tax carrying value for the Series C preferred stock, the taxable capital gains to LIO aggregated about \$600,000 and taxes due to these transactions are approximately \$273,000. LIO has taken the position that a portion of the redemptions can be treated as a nontaxable dividend and computes the taxes due to be approximately \$68,000. In addition, ratification of the proposed Canadian-Liberian Tax Convention may result in a significant reduction in the taxes arising from these transactions under either position. LIO is continuing to pursue this matter and the final determination is uncertain, but because of the position of the tax authorities, LIO has provided for the higher amount in its 1983 financial statements.

LIO and the other preferred stockholders have indicated their willingness to renounce the dividends accruing be-

tween June 15, 1983 and June 1, 1984, simultaneously with and contingent upon LAMCO making the redemption of preferred stock scheduled for June 1, 1984.

**NOTE 5**

*LIO'S EQUITY IN LAMCO'S EARNINGS*

Prior to January 1, 1982, LIO accounted for its investment in LAMCO under the equity method. As a result of the decision to write down the carrying value of this investment to \$1, described in Note 1, LIO discontinued this accounting policy effective January 1, 1982.

LIO's equity in the changes in the undistributed earnings of LAMCO attributed to common stock and included in LIO's 1981 Statement of Loss was computed in accordance with the provisions of the Concession Agreement and consisted of the following elements (in thousands of U.S. dollars):

LAMCO's net loss _____	1981 (\$17,994)
Dividends on Series A, B and C preferred stock, undeclared and unpaid _____	(2,996)
Amount equivalent to royalty paid to Government of Liberia, not yet declared as a dividend to LIO on the Class B common stock _____	(4,392)
Basis for calculation of LIO's equity in LAMCO's losses attributable to common stock _____	(25,382)
LIO's 50% share thereof _____	(12,691)
<i>Add</i>	
Amount equivalent to royalty paid to Government of Liberia not yet declared as a dividend to LIO on the Class B common stock _____	4,392
Change in LIO's equity in undistributed earnings of LAMCO attributable to Class B common stock _____	(8,299)

**NOTE 6**

*TAXATION*

LIO was incorporated under the Companies Act of Canada and was continued on December 1, 1980 under the Canada Business Corporations Act. In accordance with Canadian tax regulations, all business income of LAMCO paid as a dividend to LIO is exempt from Canadian tax.

LIO is subject to Canadian and provincial corporate taxes on its taxable income derived from interest income less normal business expenses.

LIO's income for Canadian tax purposes differs from its net loss for financial statement purposes due to the inclusion of certain items in expenses under generally accepted accounting principles which are not deductible for Canadian income tax purposes. As described in Note 4, LIO recorded Canadian tax on capital gains of \$273,000 in 1983 relating to the redemption of its Series C preferred stock investment in LAMCO. The following is the determining of LIO's taxable income and income taxes (in thousands of U.S. dollars):

	1983	1982	1981
Net profit (loss)			
before income taxes _____	\$ 405	(\$35,256)	(\$ 7,287)
Items not included in determination of taxable Canadian income:			
Write-down of investment in LAMCO _____		35,482	
LAMCO equity income and dividends _____			7,680
Other _____	( 31)	( 16)	12
Taxable income (before capital gains on LAMCO redemption) _____	<u>\$ 374</u>	<u>\$ 210</u>	<u>\$ 405</u>
Taxes (at 47% in 1983, 48% in 1982 and 1981) _____	\$ 176	\$ 101	\$ 195
Deferred Liberian taxes _____			155
Tax on capital gains on LAMCO redemption of preferred stock _____	273		
Income taxes provided _____	<u>\$ 449</u>	<u>\$ 101</u>	<u>\$ 350</u>

**NOTE 7**

*REMUNERATION OF DIRECTORS AND OFFICERS*

There were five directors and seven officers of LIO at December 31, 1983. Two of the officers were also directors. Aggregate remuneration of directors included in other expenses was \$69,000, \$35,000 and \$36,000 in 1983, 1982 and 1981, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### LIBERIAN IRON ORE LIMITED

Prior to 1982, LIO accounted for the 50% investment in LAMCO under the equity method and, therefore, LIO results were almost entirely dependent upon the results of operations of LAMCO. Effective January 1, 1982, the LIO Board of Directors decided to write-down to \$1 its investment in LAMCO and to discontinue equity accounting for its investment. This decision was taken after reviewing LAMCO's liquidity crises, the projections for funds generation coming out of the remaining high-grade ore reserves of LAMCO in Liberia and the priority distribution of LAMCO's assets. Accordingly after this write-down, LIO's results will be derived primarily from its management of its cash balances and costs of administration.

After writing down the investment in LAMCO,

LIO's only other assets are cash and bank certificates of deposit and short-term note receivable. On these investments LIO earned interest during 1983 at an effective rate of 11.6% (12.8% - 1982) on an average investment of \$6,223,000 (\$4,464,000 - 1982). LIO had a net loss of \$44,000 in 1983 or \$0.01 per share compared with a net loss of \$35.4 million or \$8.94 per share in 1982.

Should LAMCO recover from its current financial crises and the long-term prospects of the world steel and iron ore markets improve, LIO may recover a portion of its original investment in LAMCO at a future date. Any such gain will be recognized by LIO in the period during which LIO receives unencumbered cash distributions from LAMCO.

## FIVE-YEAR SUMMARY STATEMENT OF LOSS

(Expressed in thousand United States dollars, except for per share amounts)	Year ended December 31,				
	1983	1982	1981	1980	1979
Interest income _____	\$723	\$ 575	\$ 727	\$ 564	\$ 452
Expenses _____	318	349	334	608	983
	405	226	393	(44)	(531)
Write-down of investment in LAMCO _____		(35,482)			
Change in equity in the undistributed earnings of LAMCO attributable to common stock _____			(8,299)	(863)	(15,564)
Undeclared and unpaid current dividends on Series C preferred stock _____			619	619	619
Net profit (loss) before taxes _____	405	( 35,256)	(\$ 7,287)	( 288)	(15,476)
Canadian taxes _____	449	101	350	30	-
Net loss _____	(\$ 44)	(\$35,357)	(\$ 7,637)	(\$ 318)	(\$15,476)
Net loss per share* _____	(\$0.01)	(\$8.94)	(\$1.93)	(\$0.08)	(\$3.91)

\*Based on 3,955,025 average shares outstanding

## FIVE-YEAR STATEMENT OF (DEFICIT) RETAINED EARNINGS

(Expressed in thousand United States dollars,	Year ended December 31,				
	1983	1982	1981	1980	1979
Net loss _____	(\$ 44)	(\$35,357)	(\$ 7,637)	(\$ 318)	(\$15,476)
(Deficit) retained earning at beginning of year _____	(19,165)	16,192	23,829	24,147	39,623
(Deficit) retained earnings at end of the year _____	(\$19,209)	(\$19,165)	\$16,192	\$23,829	\$24,147

**LIBERIAN IRON ORE LTD.**

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