LIBERIAN IRON ORE LIMITED

Annual Report 1984

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 Friday May 3, 1985 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, 1984;

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

April 3, 1985

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.

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 therof, 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, 53 (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, 55 (Swedish) Chief Executive Officer of AB Electrolux (manufacturer of household appliances, machinery and equipment); President of Gränges AB (mining and non-ferrous metals fabrication); and Director, The Tappan Company (consumer durables), Stockholm, Sweden.	1983	– (2)
BROCK F. CLARKE, Q.C., 65 (Canadian) Partner of the law firm of Ogilvy, Renault, Montreal, Quebec, Canada.	1963	9
ALAN G. THOMPSON, 57 (Canadian) Chairman of Brink, Hudson & Lefever Ltd. (investment dealers and stock brokers), Vancouver, British Columbia, Canada.	1974	1,000
HANS WERTHÉN, 65 (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 do be a "controlling person".

In addition to the common shares of the Corporation set forth above, Messrs. Bystedt and Werthén own beneficially 79,395 shares and 301,550 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, 1,644,350 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 380,945 (approximately 1.5%) shares (50 Kronor) of AB Electrolux and 4,174,350 Kronor (approximately 0.6%) convertible notes of AB Electrolux.

During 1984, there were five regular and special meetings of the Board of Directors of the Corporation. Mr. Werthén attended three of the meetings of the Board of Directors held in 1984.

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 satsified 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 1984

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 1984 to the persons who were directors or executive officers of the Corporation at any time during 1984 as a group:

	Cash and Cash-equivalent forms of remuneration				
	Directors' Fees	Salaries, Fees, Commissions, Bonuses, Non-accountable Expense Allowance and Other	Securities or property, insurance benefits or reimbursement, personal benefits	Aggregate of contingent forms of remuneration	Total
(A) Number of directors: 5 Number of executive officers: 7*					
(B) Body corporate incurring the expense:					
(1) The Corporation	$60,000	–	–	–	$60,000
(2) LAMCO	5,900	–	–	–	5,900
(3) The Joint Venture	400	–	–	–	400
	$66,300	–	–	–	$66,300

*Two of the seven 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.

None of 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, none of them has any pension or retirement plans. The directors of the Corporation 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 1984. 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 1984.

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 assigned its interest to a wholly owned subsidiary, Liberia Bethlehem Iron Mines Company ("LIBETH"). The Government of Liberia has acquired through a wholly owned company, Liberian Mining Corporation ("LIMINCO"), the 25% interest in the LAMCO Joint Venture previously held by LIBETH. The agreement is effective as from January 1, 1984. LAMCO has given its consent to the acquisition. 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, LIMINCO and the Syndicate, Gränges AB is employed as manager of the Joint Venture. For its management services in 1984, Gränges AB received a fee of $744,759. 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 1984 under this agreement, Gränges AB received a fee of $1,796,471. In addition, Gränges International Mining, a division of Gränges AB, received $184,092 for management and administrative services rendered to LAMCO in 1984.

During 1984, the Syndicate provided goods or services to the Joint Venture in the ordinary course of its business. Gränges AB received approximately 396,000 Kronor for products sold to the Joint Venture, and AB Electrolux, 268,000 Kronor 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 $86,750 (Canadian) from the Corporation for legal services rendered during 1984.

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, 1984 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, 1984, 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 (1986) Annual Meeting of Shareholders, the shareholder proposal must be received by the Corporation not later than March 1, 1986.

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 DIRECTORS

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: April 3, 1985

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 1984

THE ANNUAL MEETING OF LIBERIAN IRON ORE LIMITED SHAREHOLDERS WILL BE HELD ON MAY 3, 1985, AT 1:00 PM AT THE OFFICE OF OGILVY, RENAULT, 1981 McGILL COLLEGE AVENUE, SUITE 1200, MONTREAL, QUEBEC, CANADA.

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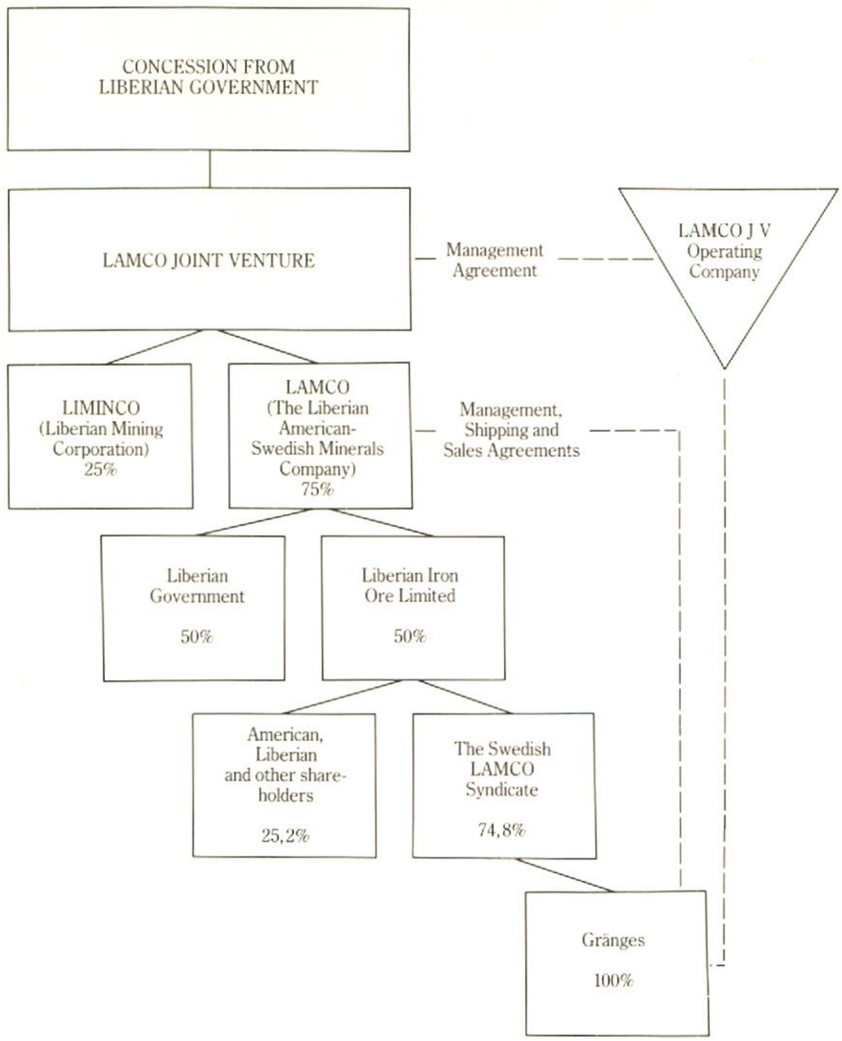
Upon written request, the Corporation will provide without charge to any shareholder a copy of the Corporation's latest annual report on Form 10-K, including financial statements and schedules thereto, filed with the United States Securities and Exchange Commission pursuant to the United States Securities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

is a partner with the Liberian Government in LAMCO, The Liberian American-Swedish Minerals Company. LAMCO, in turn, is a participant (75%) with Liberian Mining Corporation (LIMINCO), a wholly owned company of the Government of Liberia (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



GRÄNGES INTERNATIONAL MINING

is a company in the Gränges 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-105 45 Stockholm, Sweden

LAMCO J.V. OPERATING COMPANY

is a subsidiary of Gränges International Mining.

OFFICER
John L. Pervola – *General Manager*

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

Letter to the Shareholders

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 wrote down to $1 the investment in LAMCO and discontinued equity accounting for the investment. This decision was taken after reviewing the unfavorable (i) liquidity of LAMCO, (ii) projections for funds generation from the mining of the remaining high-grade ore reserves of LAMCO in Liberia and (iii) priority distribution of LAMCO's assets. Accordingly, since this write-down, LIO's results have been 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 a short-term note receivable (paid on January 13, 1984). On these investments LIO earned interest during 1984 at an effective rate of 10.5% (11.6% – 1983) on an average investment of $8,411,000 ($6,233,000 – 1983). LIO had a net profit of $1,078,000 in 1984 or $0.27 per share compared with a net loss of $44,000 or $0.01 per share in 1983.

To the extent that LIO recovers a portion, if any, of its original investment in LAMCO, such gain will be recognized by LIO in the period during which LIO receives unencumbered cash distributions from LAMCO. Note 4 refers to the Series C preferred stock redemption by LAMCO in 1984, in respect of which a gain of $550,000 was recognized.

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 by it 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 the payment of accrued but unpaid dividends of $196,000. Such redemption and the related guarantee and pledge were effected in the same manner as was followed for the January 7, 1983 redemption described above.

LIO and the other preferred stockholders renounced the dividends accruing between June 15, 1983 and July 31, 1984, amounting to $2,022,000 of which $472,000 was owed to LIO, simultaneously with and contingent upon LAMCO redeeming preferred stock, which redemption was effected on July 31, 1984 when $550,000 of Series C preferred stock held by LIO was redeemed out of available funds of LAMCO. As a result, LIO did not have to guarantee any borrowings by LAMCO as was necessary for the two prior redemptions, and therefore this redemption has been considered as a partial recovery of the previous write-down of the LIO investment and accordingly a gain in the amount of $550,000 has been recorded in income.

As a result of representations made on behalf of LIO a remission order under the Financial Administration Act of Canada has been issued and was published on November 14, 1984, to the effect that the gain on the disposition, whether before or after that date, of Series C preferred stock of LAMCO owned by LIO will be treated in the same way as if the Canada-Liberia Income Tax Convention (1976) had been ratified. This will result in a reduction of approximately $190,500 in the tax payable and provided in respect of the dispositions made in 1983, which reduction has been reflected in the provision for Canadian income taxes for 1984.

The Government of Liberia has acquired through a wholly owned company, Liberian Mining Corporation, the 25% interest in the LAMCO Joint Venture previously held by Liberia Bethlehem Iron Mines Company. The agreement is effective as from January 1, 1984. LAMCO has given its consent to the acquisition.

At a Special Meeting of the Board of Directors of LAMCO held on September 26, 1984, the Board approved the implementation of the "LAMCO Joint Venture Extension Project" which will extend the life of operations of the LAMCO Joint Venture through 1989. The capital expenditure required for the project is estimated to be $12.0 million, whereof $9.0 million is for LAMCO's account.

The world's steel industry has for many years been struggling with weak demand, overcapacity and depressed prices. This has reacted on the iron ore market, which has long been plagued by sagging prices. For the European steel industry, which is LAMCO's main market, 1984 was another tough year.

Production capacity of the LAMCO Joint Venture, has been brought into line with the market situation and the level of costs has been greatly reduced. During 1983 the number of employees was reduced by 1,300 to approximately 2,500.

March 1985

Board of Directors

HANS WERTHÉN *Chairman*	*Chairman of AB Electrolux, Chairman of Gränges AB, and Director, The Tappan Co., Stockholm, Sweden*
BO ABRAHAMSSON *Vice Chairman*	*Vice Chairman of Gränges AB, Stockholm, Sweden*
GÖSTA BYSTEDT	*Chief Executive Officer of AB Electrolux, President of Gränges AB, and Director, The Tappan Co., 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-105 45, 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 1979–1984.

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 (Canadian dollars)
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
March 31, 1984	nil	2.35	1.60
June 30, 1984	nil	2.00	1.45
September 30, 1984	nil	1.50	1.00
December 31, 1984	nil	1.75	1.30

LIO SHARES OUTSTANDING

	1984	1983
Shares outstanding during the year	3,955,025	3,955,025
Number of shareholders	3,535	3,602
located in: Liberia	2,520	2,520
U.S.A. and Canada	828	889
Other countries	187	193

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, 1984 and 1983 and the related statements of profit (loss) and (deficit) retained earnings and of changes in financial position for each of the three years in the period ended December 31, 1984. 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, 1984 and 1983, and the results of its operations and changes in its financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles consistently applied.

Price Waterhouse
New York, March 15, 1985

Balance Sheets

(Expressed in United States dollars)

	December 31, 1984	1983
Assets		
CURRENT ASSETS		
Cash, including time deposits of $8,810,000 ($5,300,000 – 1983)	$8,840,502	$5,381,769
LESS – Time deposits pledged to secure LAMCO borrowings (Note 4)	(3,300,000)	(3,300,000)
	5,540,502	2,081,769
Short-term note receivable (Note 2)		2,600,000
Accrued interest receivable	64,375	177,359
Total current assets	5,604,877	4,859,128
Investment in LAMCO (Notes 1, 3 and 4)	1	1
	$5,604,878	$4,859,129
Liabilities and Capital		
CURRENT LIABILITIES		
Accounts payable	$ 97,914	$ 132,140
Unclaimed dividends	86,651	86,673
Canadian taxes payable (Note 5)	64,917	362,541
Total current liabilities	249,482	581,354
CAPITAL		
Common shares without nominal or par value:		
Authorized – unlimited		
Issued – 3,955,025 shares	23,486,671	23,486,671
Deficit	(18,131,275)	(19,208,896)
Total capital	5,355,396	4,277,775
Commitments and contingencies (Notes 1 and 4)		
	$5,604,878	$4,859,129

On behalf of the Board

H. Werthén A. G. Thompson

Statements of Profit (Loss) and (Deficit) Retained Earnings

(Expressed in United States dollars)

	Year ended December 31, 1984	1983	1982*
Interest income	$ 886,420	$ 722,435	$ 575,086
Expenses (Note 6)	229,659	317,529	349,528
Income before adjustments for items relating to investment in LAMCO	656,761	404,906	225,558
Write-down of investment in LAMCO (Note 1)			(35,481,712)
Proceeds of redemption of Series C preferred stock of LAMCO previously written off (Note 4)	550,000		
Net profit (loss) before income taxes	1,206,761	404,906	(35,256,154)
Income taxes (Note 5)	129,140	448,699	101,000
Net profit (loss)	1,077,621	(43,793)	(35,357,154)
(Deficit) retained earnings at beginning of year	(19,208,896)	(19,165,103)	16,192,051
Deficit at end of year	($18,131,275)	($19,208,896)	($19,165,103)
Net profit (loss) per share	$ 0.27	($ 0.01)	($ 8.94)

*Reclassified for comparative purposes

Statement of Changes in Financial Position

(Expressed in United States dollars)

	Year ended December 31, 1984	1983	1982
Working Capital Provided (Applied):			
Net profit (loss)	$1,077,621	($ 43,793)	($35,357,154)
Charges not using or providing current working capital:			
Write-down of investment in LAMCO			35,481,712
Increase (decrease) in working capital	$1,077,621	($ 43,793)	$ 124,558
Analysis of Working Capital:			
INCREASE (DECREASE) IN CURRENT ASSETS:			
Cash	$3,458,733	($2,382,410)	($ 27,912)
Short-term note receivable	(2,600,000)	2,600,000	
Accrued interest receivable	(112,984)	128,820	65,018
Canadian taxes receivable		(65,018)	15,744
	745,749	281,392	52,850
(INCREASE) DECREASE IN CURRENT LIABILITIES			
Accounts payable	34,226	36,449	(93,206)
Unclaimed dividends	22	907	
Canadian taxes payable	297,624	(362,541)	164,914
	331,872	(325,185)	71,708
Increase (decrease) in working capital	$1,077,621	($ 43,793)	$ 124,558

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1984
(Expressed in United States dollars)

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 from the mining of the remaining high-grade ore reserves of LAMCO in Liberia and (iii) priority distribution of LAMCO's assets.

Write-down of investment in LAMCO at December 31, 1982	$35,967,000
Write-down of organization and preoperating expenses associated with the LAMCO Joint Venture	153,000
Reversal of previously provided deferred Liberian taxes on future preferred stock dividends	(638,000)
	$35,482,000

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

FINANCIAL POSITION

	December 31, 1984	1983
Current assets:		
Inventories of ore	$22,247	$47,964
Other	43,337	26,139
	65,584	74,103
Current liabilities:		
Current maturities:		
Guaranteed short-term debt	19,750	32,750
Preferred stock	25,714	2,550
Other	7,753	8,888
	53,217	44,188
Working capital	12,367	29,915
Noncurrent assets	38,157	44,040
Noncurrent liabilities	(32,010)	(29,778)
Redeemable preferred stock:		
Series B		(19,664)
Series C		(6,050)
Net assets	$18,514	$18,463

STATEMENT OF PROFIT (LOSS)

	For year ended December 31, 1984	1983	1982
Sales	$106,971	$87,752	$94,877
Profit (loss) from operations	5,055	(141)	7,732
Net profit (loss)	51	(9,822)	70

The report of the independent accountants on LAMCO for the years ended December 31, 1984 and 1983 were qualifed as to the ability of LAMCO to continue as a going concern in view of its current financial condition.

To the extent that LIO recovers a portion, if any, of its original investment in LAMCO, such gain will be recognized by LIO in the period during which LIO receives unencumbered cash distributions from LAMCO. Note 4 refers to the Series C preferred stock redemption by LAMCO in 1984, in respect of which a gain of $550,000 was recognized.

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 Liberian Mining Corporation (LIMINCO), which is wholly owned by the Government of Liberia (the Government), in developing and mining iron ore deposits in Liberia under a concession granted by the Government which expires on November 18, 2023. LIMINCO acquired the 25% interest in the LAMCO

Joint Venture previously held by Liberia Bethlehem Iron Mines Company, a wholly owned subsidiary of Bethlehem Steel Coporation, effective January 1, 1984.

The LAMCO Joint Venture Agreement between LAMCO and LIMINCO provides that LAMCO has a 75% and LIMINCO 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.

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, 1984, the amount equivalent to the Government's royalty which had not been declared as a dividend to LIO was $28,892,000.

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 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, 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 redemptions 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 previously been waived by the preferred stockholders. Such redemption 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 redemption was 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.

LIO and the other preferred stockholders renounced the dividends accruing between June 15, 1983 and July 31, 1984 amounting to $2,022,000 of which $472,000 was owed to LIO, simultaneously with and contingent upon LAMCO redeeming preferred stock, which redemption was effected on July 31, 1984 when $550,000 of Series C preferred stock held by LIO was redeemed out of available funds of LAMCO. As a result, LIO did not have to guarantee any borrowings by LAMCO as was necessary for the two prior redemptions, and therefore this has been considered as a partial recovery of the previous write-down of the LIO investment and accordingly a gain in the amount of $550,000 has been recorded in income.

Due to the differences between the book and tax carrying value of the Series C preferred stock owned by LIO 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.

As a result of representations made on behalf of LIO, a remission order under the Financial Administration Act of Canada has been issued and was published on November 14, 1984, to the effect that the gain on the disposition, whether before or after that date, of Series C preferred stock of LAMCO owned by LIO will be treated in the same way as if the Canada-Liberia Income Tax Convention (1976) had been ratified. This will result in a reduction of approximately

$190,500 in the tax payable and provided in respect of the dispositions made in 1983, which reduction has been reflected in the provision for Canadian income taxes for 1984.

LIO and the other preferred stockholders have indicated their willingness to renounce dividends accruing between July 31, 1984 and December 1, 1985, simultaneously with and contingent upon LAMCO making the redemption of all or part of the preferred stock scheduled for December 1, 1985.

NOTE 5

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 profit or loss for financial statement purposes as indicated below. 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. However, as described in Note 4, a remission order was issued which resulted in a reduction of $190,500 in the tax payable for 1983, which has been reflected in the provision for Canadian income taxes for 1984. The following is the determination of LIO's taxable income and income taxes (in thousands):

	1984	1983	1982
Net profit (loss) before income taxes	$ 1,207	$ 405	($35,256)
Items not included in determination of taxable Canadian income:			
Write-down of investment in LAMCO			35,482
Redemption by LAMCO of preferred stock previously written off	(550)		
Other	(9)	(31)	(16)
Taxable income (before capital gains on LAMCO redemption)	$ 648	$ 374	$ 210
Taxes (46% in 1984, 47% in 1983 and 48% 1982)	$ 298	$ 176	$ 101
Tax on capital gains on redemption by LAMCO of preferred stock	22	273	
Reversal of previously provided tax on capital gains on redemption by LAMCO of preferred stock	(191)		
Income taxes provided	$ 129	$ 449	$ 101

NOTE 6

REMUNERATION OF DIRECTORS AND OFFICERS

There were five directors and seven officers of LIO at December 31, 1984. Two of the officers were also directors. Aggregate remuneration of directors included in other expenses was $60,000, $69,000 and $35,000 in 1984, 1983 and 1982, respectively.

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

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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 wrote down to $1 the investment in LAMCO and discontinued equity accounting for the investment. This decision was taken after reviewing the unfavorable (i) liquidity of LAMCO, (ii) projections for funds generation from the mining of the remaining high-grade ore reserves of LAMCO in Liberia and (iii) priority distribution of LAMCO's assets. Accordingly, since this write-down, LIO's results have been 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 were cash and bank certificates of deposit and a short-term note receivable (paid on January 13, 1984). On these investments LIO earned interest during 1984 at an effective rate of 10.5% (11.6% – 1983) on an average investment of $8,411,000 ($6,233,000 – 1983). LIO had a net profit of $1,078,000 in 1984 or $0.27 per share compared with a net loss of $44,000 or $0.01 per share in 1983.

To the extent that LIO recovers a portion, if any, of its original investment in LAMCO, such gain will be recognized by LIO in the period during which LIO receives unencumbered cash distributions from LAMCO. Note 4 refers to the Series C preferred stock redemption by LAMCO in 1984 in respect of which a gain of $550,000 was recognized.

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Five-year Summary Statement of Profit (Loss)

(Expressed in thousand United States dollars, except for per share amounts)

	Year ended December 31, 1984	1983	1982	1981	1980
Interest income	$ 887	$ 723	$ 575	$ 727	$ 564
Expenses	230	318	349	334	608
Income before adjustments for items relating to investment in LAMCO	657	405	226	393	(44)
Write-down of investment in LAMCO			(35,482)		
Proceeds of redemption of Series C preferred stock of LAMCO previously written off	550				
Change in equity in the undistributed earnings of LAMCO attributable to common stock				(8,299)	(863)
Undeclared and unpaid current dividends on Series C preferred stock				619	619
Net profit (loss) before income taxes	1,207	405	(35,256)	(7,287)	(288)
Canadian income taxes	129	449	101	350	30
Net profit (loss)	$1,078	($ 44)	($35,357)	($ 7,637)	($ 318)
Net profit (loss) per share*	$ 0.27	($0.01)	($8.94)	($1.93)	($0.08)

*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, 1984	1983	1982	1981	1980
Net profit (loss)	$ 1,078	($ 44)	($35,357)	($ 7,637)	($ 318)
(Deficit) retained earnings at beginning of year	(19,209)	(19,165)	16,192	23,829	24,147
(Deficit) retained earnings at end of the year	($18,131)	($19,209)	($19,165)	$16,192	$23,829

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