

TORONTO, Nov. 5, 2015 /CNW/ - [Labrador Iron Ore Royalty Corp.](#) ("LIORC", TSX: LIF) announced today its operation and cash flow results for the third quarter ended September 30, 2015.

Royalty income for the third quarter of 2015 amounted to \$31.4 million as compared to \$30.3 million for the third quarter of 2014. The adjusted cash flow (see below for definition) for the third quarter was \$17.9 million or \$0.28 per share as compared to \$37.8 million or \$0.59 per share for the same period in 2014. The higher cash flow in the third quarter of 2014 reflected an IOC dividend of which [Labrador Iron Ore Royalty Corp.](#)'s share was \$20.7 million or \$0.32 per share. Net income was \$19.0 million or \$0.30 per share compared to \$29.0 million or \$0.46 per share for the same period in 2014. Equity earnings from Iron Ore Company of Canada ("IOC") amounted to \$2.5 million or \$0.04 per share as compared to \$11.1 million or \$0.17 per share in 2014. The increased tonnes sold in the third quarter was a reflection of the increased production and this, along with the lower Canadian dollar against its US counterpart, offset lower prices received as compared to last year. As a result, royalty revenue for the quarter was slightly higher than last year.

The progress to reduce costs and increase production that was seen in the last quarter continued during the third quarter with sharp improved haul truck and shovel productivity and record setting performance of the ore delivery system, crushed tonnes and concentrate production. Concentrate production in the quarter was 5.2 million tonnes, which was 5% above the previous quarter and 29% above the first quarter of 2015. Pellet production in the third quarter was 16% above the previous quarter and the 2014 third quarter. Due to the increase in concentrate used in pellet production, concentrate for sale production in the quarter was slightly below the previous quarter but was 28% above the third quarter of 2014.

Third quarter concentrate sales in tonnes were 66% higher than the previous quarter and 38% higher than the corresponding 2014 quarter. Pellet sales in tonnes were 15% higher than the previous quarter and 32% higher than the third quarter of 2014. The increase in sales in tonnes were the result of increased product availability due to higher production and shipment timing.

Results for the three months and nine months ended September 30 are summarized below:

(in millions except per share information)

	3 Months Ended	3 Months Ended	9 Months Ended	9 Months Ended
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	Sept. 30, 2015	Sept. 30, 2014	Sept. 30, 2015	Sept 30, 2014
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(Unaudited)

Revenue	\$32.0	\$30.8	\$79.7	\$91.8
Adjusted cash flow	\$17.9	\$37.8	\$44.1	\$99.2
Adjusted cash flow per share	\$0.28	\$0.59	\$0.69	\$1.55
Net income	\$19.0	\$29.0	\$44.4	\$92.0
Net income per share	\$0.30	\$0.46	\$0.69	\$1.44

"Adjusted cash flow" (defined as cash flow from operating activities as shown on the attached financial statements adjusted for changes in amounts receivable, accounts payable and income taxes payable) is not a recognized measure under IFRS. The Directors believe that adjusted cash flow is a useful analytical measure as it better reflects cash available for dividends to shareholders.

A summary of IOC's sales in millions of tonnes is as follows:

	3 Months Ended Sept. 30, 2015	3 Months Ended Sept. 30, 2014	9 Months Ended Sept. 30, 2015	9 Months Ended Sept. 30, 2014	Year Ended Dec. 31, 2014
Pellets	2.64	2.00	7.43	5.80	8.33
Concentrates ⁽¹⁾	3.15	2.28	5.75	4.83	5.99
Total					

(1) Excludes third party ore sales

Outlook

With improved operating efficiencies resulting in reduced costs and increased production being attained, IOC is making good progress in reducing its unit cash cost of concentrate production with a target of US\$30 per tonne. Concentrate production for the first three quarters was 14.1 million tonnes and should exceed 19 million tonnes for the year or about 3 million more than each of the previous two years. We expect that if the present operating improvements continue, production could approach 21 million tonnes in 2016. Because of the quality of the IOC ore, it remains in demand and commands a premium to posted prices. The increased sales expected as a result of increased production and the lower Canadian dollar against its US counterpart will help offset the lower price being received for iron ore. Although pellet sales have been firm in the first nine months of 2015, the pellet premium has recently weakened as steel prices have fallen and steel producers are watching their inventories closely. IOC has the ability to adjust pellet production should demand be such that the pellet premium makes the sale of pellets less attractive, leaving more concentrate for sale available. The price of iron ore is beyond the control of IOC but all possible steps are being taken to reduce costs and increase production so that IOC remains profitable.

Respectfully submitted on behalf of the Directors of [Labrador Iron Ore Royalty Corp.](#),

Bruce C. Bone
President and Chief Executive Officer
November 5, 2015

Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis section of the [Labrador Iron Ore Royalty Corp.](#)'s ("LIORC" or the "Corporation") 2014 Annual Report and the interim financial statements and notes contained therein. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risk and uncertainties including the factors discussed in the Corporation's 2014 Annual Report.

The Corporation's revenues are entirely dependent on the operations of Iron Ore Company of Canada ("IOC") as its principal assets relate to the operations of IOC and its principal source of revenue is the 7% royalty it receives on all sales of iron ore products by IOC. In addition to the volume of iron ore sold, the Corporation's royalty revenue is affected by the price of iron ore and the Canadian – U.S. dollar exchange rate.

The first quarter sales of IOC are traditionally adversely affected by the closing of the St. Lawrence Seaway and general winter operating conditions and are usually 15% – 20% of the annual volume, with the balance spread fairly evenly throughout the other three quarters. Because of the size of individual shipments, some quarters may be affected by the timing of the loading of ships that can be delayed from one quarter to the next.

Royalty income for the third quarter of 2015 amounted to \$31.4 million as compared to \$30.3 million for the third quarter of 2014. The adjusted cash flow (see below for definition) for the third quarter was \$17.9 million or \$0.28 per share as compared to \$37.8 million or \$0.59 per share for the same period in 2014. The higher cash flow in the third quarter of 2014 reflected an IOC dividend of which [Labrador Iron Ore Royalty Corp.](#)'s share was \$20.7 million or \$0.32 per share. Net income was \$19.0 million or \$0.30 per share compared to \$29.0 million or \$0.46 per share for the same period in 2014. Equity earnings from Iron Ore Company of Canada ("IOC") amounted to \$2.5 million or \$0.04 per share as compared to \$11.1 million or \$0.17 per share in 2014. The increased tonnes sold in the quarter was a reflection of the increased production and this, along with the lower Canadian dollar against its US counterpart, offset the lower prices received as compared to last year. As a result, royalty revenue for the quarter was slightly higher than last year.

The progress to reduce costs and increase production that was seen in the last quarter continued during the third quarter with sharply improved haul truck and shovel productivity and record setting performance of the ore delivery system, crushed tonnes and concentrate production. Concentrate production in the quarter was 5.2 million tonnes, which was 5% above the previous quarter and 29% above the first quarter of 2015. Pellet production in the third quarter was 16% above the previous quarter and the 2014 third quarter. Due to the increase in concentrate used in pellet production, concentrate for sale production in the quarter was slightly below the previous quarter but was 28% above the third quarter of 2014.

Third quarter concentrate sales in tonnes were 66% higher than the previous quarter and 38% higher than the corresponding 2014 quarter. Pellet sales in tonnes were 15% higher than the previous quarter and 32% higher than the third quarter of 2014. The increased sales in tonnes were the result of increased product availability due to higher production and shipment timing.

Results for the nine months were affected by the same factors as the three month period including lower iron ore prices. Administrative expenses were higher in 2015 due to the legal fees incurred in 2015 in connection with amendments to the Corporation's articles. Also higher directors fees due to the increased size of the board from eight to ten, which has

subsequently been reduced to nine. IOC did not pay a dividend in the nine months of 2015 but did pay in 2014, of which LIORC's share was \$48.1 million or \$0.75 per share.

The following table sets out quarterly revenue, net income and cash flow data for 2015, 2014 and 2013.

	Revenue	Net Income	Net Income per Share	Adjusted Cash Flow ⁽¹⁾	Adjusted Cash Flow per Share ⁽¹⁾	Distributions Declared per Share
(in millions except per Share information)						
2015						
First Quarter	\$23.7	\$10.0	\$0.16	\$13.1	\$0.20	\$0.250
Second Quarter	\$24.0	\$15.4	\$0.24	\$13.1	\$0.21	\$0.250
Third Quarter	\$32.0	\$19.0	\$0.30	\$17.9	\$0.28	\$0.250
2014						
First Quarter	\$27.2	\$27.1	\$0.42	\$27.7 ⁽²⁾	\$0.43	\$0.400
Second Quarter	\$33.8	\$35.9	\$0.56	\$33.7 ⁽³⁾	\$0.53	\$0.400
Third Quarter	\$30.8	\$29.0	\$0.46	\$37.8 ⁽⁴⁾	\$0.59	\$0.500
Fourth Quarter	\$25.7	\$12.1	\$0.19	\$14.4	\$0.22	\$0.350
2013						
First Quarter	\$26.4	\$21.7	\$0.34	\$14.4	\$0.22	\$0.375
Second Quarter	\$42.2	\$39.2	\$0.61	\$23.4	\$0.37	\$0.375
Third Quarter	\$36.1	\$41.2	\$0.65	\$20.0	\$0.31	\$0.375
Fourth Quarter	\$34.6	\$46.7	\$0.73	\$57.6 ⁽⁵⁾	\$0.90	\$0.750

- Notes:
- (1) "Adjusted cash flow" (see below)
 - (2) Includes a \$12.6 million IOC dividend
 - (3) Includes a \$14.8 million IOC dividend
 - (4) Includes a \$20.7 million IOC dividend
 - (5) Includes a \$40.0 million IOC dividend

Standardized Cash Flow and Adjusted Cash Flow

For the Corporation, standardized cash flow is the same as cash flow from operating activities as recorded in the Corporation's cash flow statements as the Corporation does not incur capital expenditures or have any restrictions on distributions. Standardized cash flow per share was \$0.19 for the quarter (2014 - \$0.63). Cumulative standardized cash flow from inception of the Corporation is \$21.24 per share and total cash distribution since inception is \$20.69 per share, for a payout ratio of 97%.

"Adjusted cash flow" is defined as cash flow from operating activities as shown on the attached financial statements adjusted for changes in amounts receivable, accounts payable and income taxes payable. It is not a recognized measure under IFRS. The Directors believe that adjusted cash flow is a useful analytical measure as it better reflects cash available for dividends to shareholders.

The following reconciles cash flow from operating activities to adjusted cash flow.

	3 Months Ended Sept. 30, 2015	3 Months Ended Sept. 30, 2014	9 Months Ended Sept. 30, 2015	9 Months Ended Sept. 30, 2014
Standardized cash flow from operating activities	\$12,204,510	\$40,539,684	\$39,930,494	\$95,617,406
Excluding: changes in amounts receivable, accounts payable and income taxes payable			4,188,393	
	5,693,543	(2,711,132)		3,563,648
Adjusted cash flow	\$17,898,053	\$37,828,552	\$44,118,887	\$99,181,054
Adjusted cash flow per share	\$0.28	\$0.59	\$0.69	\$1.55

Liquidity and Capital Resources

The Corporation has \$20.5 million in cash as at September 30, 2015 with total current assets of \$51.7 million and working capital of \$28.7 million. During the quarter, the Corporation generated operating cash flow of \$12.2 million with the cash balance declining \$3.8 million as a result of dividends paid.

Cash balances consist of deposits in Canadian dollars with Canadian chartered banks. Amounts receivable primarily consist of royalty payments from IOC. Royalty payments are received in U.S. dollars and converted into Canadian dollars on receipt, usually 25 days after the quarter end. The Corporation does not normally attempt to hedge this short-term foreign currency exposure.

Operating cash flow of the Corporation is sourced entirely from IOC through the Corporation's 7% royalty, 10 cents commission per tonne and dividends from its 15.10% equity interest in IOC. The Corporation intends to pay cash dividends of the net income derived from IOC to the maximum extent possible, subject to the maintenance of appropriate levels of working capital and debt.

The Corporation has a \$50 million revolving credit facility with a term ending September 18, 2018 with provision for annual one-year extensions. No amount is currently drawn under this facility (2014 – nil) leaving \$50.0 million available to provide for any capital required by IOC or requirements of the Corporation.

Outlook

With improved operating efficiencies resulting in reduced costs and increased production being attained, IOC is making good progress in reducing its unit cash cost of concentrate production with a target of US\$30 per tonne. Concentrate production for the first three quarters was 14.1 million tonnes and should exceed 19 million tonnes for the year or about 3 million more than each of the previous two years. We expect that if the present operating improvements continue, production could approach 21 million tonnes in 2016. Because of the quality of the IOC ore, it remains in demand and commands a premium to posted prices. The increased sales expected as a result of increased production and the lower Canadian dollar against its US counterpart will help offset the lower price being received for iron ore. Although pellet sales have been firm in the first nine months of 2015, the pellet premium has recently weakened as steel prices have fallen and steel producers are watching their inventories closely. IOC has the ability to adjust pellet production should demand be such that the pellet premium makes the sale of pellets less attractive, leaving more concentrate for sale available. The price of iron ore is beyond the control of IOC but all possible steps are being taken to reduce costs and increase production so that IOC remains profitable.

Bruce C. Bone
President and Chief Executive Officer
Toronto, Ontario
November 5, 2015

Notice:

The following unaudited interim condensed consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not reviewed these interim financial statements.

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	As at	
	September 30,	December 31,
Canadian \$	2015	2014
	(Unaudited)	
Assets		
Current Assets		
Cash	\$ 20,486,127	\$ 34,955,633
Amounts receivable	31,255,855	24,861,203
Income taxes recoverable	-	472,626
Total Current Assets	51,741,982	60,289,462
Non-Current Assets		
Iron Ore Company of Canada ("IOC"),		
royalty and commission interests	271,714,626	275,432,981
Investment in IOC	397,308,131	395,271,413
Total Non-Current Assets	669,022,757	670,704,394
Total Assets	\$ 720,764,739	\$ 730,993,856
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 6,489,950	\$ 5,311,477
Dividend payable	16,000,000	22,400,000
Taxes Payable	555,160	-
Total Current Liabilities	23,045,110	27,711,477
Non-Current Liabilities		
Deferred income taxes	124,850,000	125,563,000
Total Liabilities	147,895,110	153,274,477
Shareholders' Equity		
Share capital	317,708,147	317,708,147
Retained earnings	268,194,482	271,757,232
Accumulated other comprehensive loss	(13,033,000)	(11,746,000)
	572,869,629	577,719,379
Total Liabilities and Shareholders' Equity		

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS

OF COMPREHENSIVE INCOME

	For the Three Months Ended	
	September 30,	
Canadian \$	2015	2014
	(Unaudited)	
Revenue		
IOC royalties	\$ 31,409,072	\$ 30,255,072
IOC commissions	570,286	408,479
Interest and other income	53,846	97,860
	32,033,204	30,761,411
Expenses		
Newfoundland royalty taxes	6,281,814	6,051,015
Amortization of royalty and commission interests	1,420,534	903,657
Administrative expenses	630,356	677,072
	8,332,704	7,631,744
Income before equity earnings and income taxes	23,700,500	23,129,667
Equity earnings in IOC	2,500,242	11,128,721
Income before income taxes	26,200,742	34,258,388
Provision for income taxes		
Current	7,222,981	6,893,781
Deferred	(27,000)	(1,619,000)
	7,195,981	5,274,781
Net income for the period	19,004,761	28,983,607
Other comprehensive loss		
Share of other comprehensive loss of IOC that will not be reclassified subsequently to profit or loss (net of taxes)	(429,000)	(478,000)
Comprehensive income for the period	\$ 18,575,761	\$ 28,505,607
Net income per share		

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Nine Months Ended	
	September 30,	
Canadian \$	2015	2014
	(Unaudited)	
Revenue		
IOC royalties	\$ 78,232,517	\$ 90,412,549
IOC commissions	1,297,980	1,045,759
Interest and other income	198,163	278,298
	79,728,660	91,736,606
Expenses		
Newfoundland royalty taxes	15,646,503	18,082,510
Amortization of royalty and commission interests	3,718,355	2,663,502
Administrative expenses	2,058,440	1,857,139
	21,423,298	22,603,151
Income before equity earnings and income taxes	58,305,362	69,133,455
Equity earnings in IOC	3,541,718	41,938,682
Income before income taxes	61,847,080	111,072,137
Provision for income taxes		
Current	17,904,830	20,681,707
Deferred	(495,000)	(1,605,000)
	17,409,830	19,076,707
Net income for the period	44,437,250	91,995,430
Other comprehensive loss		
Share of other comprehensive loss of IOC that will not be reclassified subsequently to profit or loss (net of taxes)	(1,287,000)	(1,435,000)
Comprehensive income for the period	\$ 43,150,250	\$ 90,560,430
Net income per share	\$ 0.69	\$ 1.44

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended	
	September 30,	
Canadian \$	2015	2014
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	\$ 44,437,250	\$ 91,995,430
Items not affecting cash:		
Equity earnings in IOC	(3,541,718)	(41,938,682)
Current income taxes	17,904,830	20,681,707
Deferred income taxes	(495,000)	(1,605,000)
Amortization of royalty and commission interests	3,718,355	2,663,502
Common share dividend from IOC	-	48,065,804
Change in amounts receivable	(6,394,652)	8,217,037
Change in accounts payable	1,178,473	(1,716,524)
Income taxes paid	(16,877,044)	(30,745,868)
Cash flow from operating activities	39,930,494	95,617,406
Financing		
Dividends paid to shareholders	(54,400,000)	(99,200,000)
Cash flow used in financing activities	(54,400,000)	(99,200,000)
Decrease in cash, during the period	(14,469,506)	(3,582,594)
Cash, beginning of period	34,955,633	52,613,924
Cash, end of period	\$ 20,486,127	\$ 49,031,330

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share	Retained	Accumulated other comprehensive	
Canadian \$	capital	earnings	loss	Total
	(Unaudited)			
Balance as at December 31, 2013	\$ 317,708,147	\$ 273,225,981	\$ (7,606,000)	\$ 583,328,128
Net income for the period	-	91,995,430	-	91,995,430
Dividends declared to shareholders	-	(83,200,000)	-	(83,200,000)
Share of other comprehensive loss from investment in IOC (net of taxes) -	-	-	(1,435,000)	(1,435,000)
Balance as at September 30, 2014	\$ 317,708,147	\$ 282,021,411	\$ (9,041,000)	\$ 590,688,558
Balance as at December 31, 2014	\$ 317,708,147	\$ 271,757,232	\$ (11,746,000)	\$ 577,719,379
Net income for the period	-	44,437,250	-	44,437,250
Dividends declared to shareholders	-	(48,000,000)	-	(48,000,000)
Share of other comprehensive loss from investment in IOC (net of taxes) -	-	-	(1,287,000)	(1,287,000)
Balance as at September 30, 2015	\$ 317,708,147	\$ 268,194,482	\$ (13,033,000)	\$ 572,869,629

The complete consolidated financial statements for the third quarter ended September 30, 2015, including the notes thereto, are posted on sedar.com and labradorironore.com.

SOURCE [Labrador Iron Ore Royalty Corp.](http://labradorironore.com)

Contact
Bruce C. Bone, President & Chief Executive Officer, (416) 863-7133