

TORONTO, May 2, 2016 /CNW/ - [Labrador Iron Ore Royalty Corp.](#) ("LIORC", TSX: LIF) announced today its operation and cash flow results for the first quarter ended March 31, 2016.

Royalty income for the first quarter of 2016 amounted to \$21.8 million as compared to \$23.3 million for the first quarter of 2015. The shareholders' adjusted cash flow (see below for definition) for the first quarter was \$12.3 million or \$0.19 per share as compared to \$13.1 million or \$0.20 per share for the same period in 2015. Net income was \$11.0 million or \$0.17 per share compared to \$10.0 million or \$0.16 per share for the same period in 2015. Equity losses from Iron Ore Company of Canada ("IOC") amounted to (\$0.5) million or (\$0.01) per share as compared to (\$2.7) million or (\$0.04) per share in 2015.

Operational performance continued to improve at IOC. A new first quarter record for concentrate production of 4.3 million tonnes was achieved, which was 8% above last year's first quarter. After production of 2 million tonnes of pellets, 2.1 million tonnes of concentrate for sale (CFS) was available. Pellet production was 10% lower than last year's first quarter, mainly due to equipment reliability. Every effort is being made to maximize pellet production as pellet premiums remain firm. Due to winter operating conditions first quarter production is not representative of expected annual production, usually representing about 20% of annual production.

First quarter shipments and sales were equal to production and although pellet sales were 16% lower than last year's first quarter, this was more than offset by concentrate sales, which were three times last year's level. This increase in sales continues the improved first quarter sales recorded last year following steps taken to improve winter shipping operations, which had suffered in the past because of frozen stockpiles. The increased sales volume in the quarter plus the lower value of the Canadian dollar against its U.S. counterpart offset most of the lower iron ore price compared to last year, resulting in only slightly lower royalty revenue.

Results for the three months ended March 31 are summarized below:

| | 2016 | 2015 |
|--|-------------|--------|
| (in millions except per share information) | | |
| | (Unaudited) | |
| Revenue | \$22.3 | \$23.7 |
| Adjusted cash flow | \$12.3 | \$13.1 |
| Adjusted cash flow per share | \$0.19 | \$0.20 |
| Net income | \$11.0 | \$10.0 |
| Net income per share | \$0.17 | \$0.16 |

"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 International Financial Reporting Standards ("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 Mar. 31, 2016 | 3 Months Ended Mar. 31, 2015 | Year Ended Dec. 31, 2015 |
|-----------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| Pellets | 2.11 | 2.50 | 9.47 |
| Concentrates ⁽¹⁾ | 2.05 | 0.71 | 8.41 |
| Total | 4.16 | 3.21 | 17.88 |

(1) Excludes third party ore sales

Outlook

The outlook for the balance of the year will depend largely on the iron ore price, which is currently about 50% higher than its recent low. Most followers of the market had not expected the price recovery to be as substantial as it has been. Some do not expect prices to remain at current levels, while others are now predicting that these levels could be maintained for the balance of the year. The value of the Canadian dollar has recently increased against its U.S. counterpart which is a negative for the royalty revenue which the Corporation receives in U.S. dollars. With increased production of concentrate and providing prices for iron ore products do not deteriorate substantially and the Canadian dollar exchange rate does not increase materially, 2016 should be a satisfactory year for the Corporation.

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

Bruce C. Bone
President and Chief Executive Officer
May 2, 2016

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") 2015 Annual Report and the 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 2015 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 first quarter of 2016 amounted to \$21.8 million as compared to \$23.3 million for the first quarter of 2015. The shareholders' adjusted cash flow (see below for definition) for the first quarter was \$12.3 million or \$0.19 per share as compared to \$13.1 million or \$0.20 per share for the same period in 2015. Net income was \$11.0 million or \$0.17 per share compared to \$10.0 million or \$0.16 per share for the same period in 2015. Equity losses from IOC amounted to (\$0.5) million or (\$0.01) per share as compared to (\$2.7) million or (\$0.04) per share in 2015.

Operational performance continued to improve at IOC. A new first quarter record for concentrate production of 4.3 million tonnes was achieved, which was 8% above last year's first quarter. After production of 2 million tonnes of pellets, 2.1 million tonnes of concentrate for sale (CFS) was available. Pellet production was 10% lower than last year's first quarter, mainly due to equipment reliability. Every effort is being made to maximize pellet production as pellet premiums remain firm. Due to winter operating conditions first quarter production is not representative of expected annual production, usually representing about 20% of annual production.

First quarter shipments and sales were equal to production and although pellet sales were 16% lower than last year's first quarter, this was more than offset by concentrate sales, which were three times last year's level. This increase in sales continues the improved first quarter sales recorded last year following steps taken to improve winter shipping operations, which had suffered in the past because of frozen stockpiles. The increased sales volume in the quarter plus the lower value of the Canadian dollar against its U.S. counterpart offset most of the lower iron ore price compared to last year, resulting in only slightly lower royalty revenue.

The following table sets out quarterly revenue, net income and cash flow data for 2016, 2015 and 2014.

| | Revenue | Net Income | Net Income per Share | Adjusted Cash Flow ⁽¹⁾ | Adjusted Cash Flow per Share ⁽¹⁾ | Cash Flow Declared per Share |
|--|---------|------------|----------------------|-----------------------------------|---|------------------------------|
|--|---------|------------|----------------------|-----------------------------------|---|------------------------------|

(in millions except per Share information)

2016

| | | | | | | |
|---------------|--------|--------|--------|--------|--------|---------|
| First Quarter | \$22.3 | \$11.0 | \$0.17 | \$12.3 | \$0.19 | \$0.250 |
|---------------|--------|--------|--------|--------|--------|---------|

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 |
|---------------|--------|--------|--------|--------|--------|---------|

| | | | | | | |
|----------------|--------|--------|--------|--------|--------|---------|
| Fourth Quarter | \$22.0 | \$10.3 | \$0.15 | \$12.1 | \$0.19 | \$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 |
|----------------|--------|--------|--------|--------|--------|---------|

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

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 \$0.20 for the quarter (2015 - \$0.24). Cumulative standardized cash flow from inception of the Corporation is \$21.75 per share and total cash distributions since inception is \$21.19 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 3 Months Ended

Mar. 31, 2016 Mar. 31, 2015

| | | |
|--|--------------|--------------|
| Standardized cash flow from operating activities | \$12,489,465 | \$15,233,063 |
| Excluding: changes in amounts receivable, accounts payable and | | |
| income taxes recoverable | (227,503) | (2,119,528) |
| Adjusted cash flow | \$12,261,962 | \$13,113,535 |
| Adjusted cash flow per share | \$0.19 | \$0.20 |

Liquidity and Capital Resources

The Corporation has \$20.9 million in cash as at March 31, 2016 (December 31, 2015 - \$24.5million) with total current assets of \$41.2 million (December 31, 2015 - \$45.2 million). The Corporation has working capital of \$21.1 million (December 31, 2015 - \$24.8 million). The Corporation's operating cash flow was \$12.5 million and the dividend paid during the quarter was \$16.0 million, resulting in cash balances declining \$3.5 million during the first quarter of 2016.

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 to 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.

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 (2015 – nil) leaving \$50.0 million available to provide for any capital required by IOC or requirements of the Corporation.

Outlook

The outlook for the balance of the year will depend largely on the iron ore price, which is currently about 50% higher than its recent low. Most followers of the market had not expected the price recovery to be as substantial as it has been. Some do not expect prices to remain at current levels, while others are now predicting that these levels could be maintained for the balance of the year. The value of the Canadian dollar has recently increased against its U.S. counterpart which is a negative for the royalty revenue which the Corporation receives in U.S. dollars. With increased production of concentrate and providing prices for iron ore products do not deteriorate substantially and the Canadian dollar exchange rate does not increase materially, 2016 should be a satisfactory year for the Corporation.

Bruce C. Bone
President and Chief Executive Officer
Toronto, Ontario
May 2, 2016

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

| | March 31, | December 31, |
|--|----------------|----------------|
| Canadian \$ | 2016 | 2015 |
| | (Unaudited) | |
| Assets | | |
| Current Assets | | |
| Cash | \$ 20,952,977 | \$ 24,463,512 |
| Amounts receivable | 19,571,840 | 20,508,756 |
| Income taxes recoverable | 653,597 | 240,299 |
| Total Current Assets | 41,178,414 | 45,212,567 |
| Non-Current Assets | | |
| Iron Ore Company of Canada ("IOC"), | | |
| royalty and commission interests | 269,328,901 | 270,517,368 |
| Investment in IOC | 397,644,372 | 398,327,969 |
| Total Non-Current Assets | 666,973,273 | 668,845,337 |
| Total Assets | \$ 708,151,687 | \$ 714,057,904 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 4,118,097 | \$ 4,414,212 |
| Dividend payable | 16,000,000 | 16,000,000 |
| Total Current Liabilities | 20,118,097 | 20,414,212 |
| Non-Current Liabilities | | |
| Deferred income taxes | 124,250,000 | 124,670,000 |
| Total Liabilities | 144,368,097 | 145,084,212 |
| Shareholders' Equity | | |
| Share capital | 317,708,147 | 317,708,147 |
| Retained earnings | 257,413,443 | 262,415,545 |
| Accumulated other comprehensive loss | (11,338,000) | (11,150,000) |
| | 563,783,590 | 568,973,692 |
| Total Liabilities and Shareholders' Equity | \$ 708,151,687 | \$ 714,057,904 |

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | For the Three Months Ended | |
|--|----------------------------|---------------|
| | March 31, | |
| Canadian \$ | 2016 | 2015 |
| | (Unaudited) | |
| Revenue | | |
| IOC royalties | \$ 21,835,878 | \$ 23,346,134 |
| IOC commissions | 410,313 | 315,994 |
| Interest and other income | 47,646 | 79,812 |
| | 22,293,837 | 23,741,940 |
| Expenses | | |
| Newfoundland royalty taxes | 4,367,176 | 4,669,227 |
| Amortization of royalty and commission interests | 1,188,467 | 1,100,564 |
| Administrative expenses | 676,076 | 686,366 |
| | 6,231,719 | 6,456,157 |
| Income before equity earnings and income taxes | 16,062,118 | 17,285,783 |
| Equity earnings in IOC | (463,597) | (2,737,468) |
| Income before income taxes | 15,598,521 | 14,548,315 |
| Provision for income taxes | | |
| Current | 4,988,623 | 5,272,812 |
| Deferred | (388,000) | (690,000) |
| | 4,600,623 | 4,582,812 |
| Net income for the period | 10,997,898 | 9,965,503 |
| Other comprehensive loss | | |
| Share of other comprehensive loss of IOC that will not be reclassified subsequently to profit or loss (net of taxes) | (188,000) | (429,000) |
| Comprehensive income for the period | \$ 10,809,898 | \$ 9,536,503 |
| Net income per share | \$ 0.17 | \$ 0.16 |

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Three Months Ended | |
|---|----------------------------|---------------|
| | March 31, | |
| Canadian \$ | 2016 | 2015 |
| | (Unaudited) | |
| Net inflow (outflow) of cash related to the following activities | | |
| Operating | | |
| Net income for the period | \$ 10,997,898 | \$ 9,965,503 |
| Items not affecting cash: | | |
| Equity earnings in IOC | 463,597 | 2,737,468 |
| Current income taxes | 4,988,623 | 5,272,812 |
| Deferred income taxes | (388,000) | (690,000) |
| Amortization of royalty and commission interests | 1,188,467 | 1,100,564 |
| Change in amounts receivable | 936,916 | 3,768,584 |
| Change in accounts payable | (296,115) | (921,868) |
| Income taxes paid | (5,401,921) | (6,000,000) |
| Cash flow from operating activities | 12,489,465 | 15,233,063 |
| Financing | | |
| Dividends paid to shareholders | (16,000,000) | (22,400,000) |
| Cash flow used in financing activities | (16,000,000) | (22,400,000) |
| Decrease in cash, during the period | (3,510,535) | (7,166,937) |
| Cash, beginning of period | 24,463,512 | 34,955,633 |
| Cash, end of period | \$ 20,952,977 | \$ 27,788,696 |

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | | | Accumulated other comprehensive | |
|--|------------------|----------------------|---------------------------------------|----------------|
| Canadian \$ | Share capital | Retained earnings | loss | Total |
| Balance as at December 31, 2014 | \$ 317,708,147 | \$ 271,757,232 | \$ (11,746,000) | \$ 577,719,379 |
| Net income for the period | - | 9,965,503 | - | 9,965,503 |
| Dividends declared to shareholders | - | (16,000,000) | - | (16,000,000) |
| Share of other comprehensive loss from investment in IOC (net of taxes) | - | - | (429,000) | (429,000) |
| Balance as at March 31, 2015 | \$ 317,708,147 | \$ 265,722,735 | \$ (12,175,000) | \$ 571,255,882 |
| Balance as at December 31, 2015 | \$ 317,708,147 | \$ 262,415,545 | \$ (11,150,000) | \$ 568,973,692 |
| Net income for the period | - | 10,997,898 | - | 10,997,898 |
| Dividends declared to shareholders | - | (16,000,000) | - | (16,000,000) |
| Share of other comprehensive loss from investment in IOC (net of taxes) | - | - | (188,000) | (188,000) |
| Balance as at March 31, 2016 | \$ 317,708,147 | \$ 257,413,443 | \$ (11,338,000) | \$ 563,783,590 |

The complete consolidated financial statements for the first quarter ended March 31, 2016, including the notes thereto, are posted on sedar.com and labradorironore.com.

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

Contact
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