TORONTO, Nov. 4, 2016 /CNW/ - Labrador Iron Ore Royalty Corp. ("LIORC", TSX: LIF) announced today its operation and cash flo results for the third quarter ended September 30, 2016.

Royalty income for the third quarter of 2016 amounted to $27.9 million as compared to $31.4 million for the third quarter of 2015. Th shareholders' adjusted cash flow (see below for definition) for the third quarter was $15.5 million or $0.24 per share as compared to $17.9 million or $0.28 per share for the same period in 2015. Net income was $21.2 million or $0.33 per share compared to $19.0 million or $0.30 per share for the same period in 2015. Equity earnings from Iron Ore Company of Canada ("IOC") amounted to $7.7 million or $0.12 per share as compared to $2.5 million or $0.04 per share in 2015. The increase in IOC equity earnings in the third quarter of 2016 was mainly due to higher prices.

Iron Ore Company of Canada Operations

Production
Concentrate production for the third quarter of 2016 was 5.2 million tonnes, with monthly records of 1.8 million tonnes set in both Au and September. After production of 2.7 million tonnes of pellets, 2.3 million tonnes of concentrate for sale ("CFS") were produced. T weight yield, which was an issue in previous quarters, improved in the third quarter of 2016. The tonnage delivered to the concentra on the parallel ore delivery system also achieved a new record in September. In the pellet plant, IOC is stabilizing and increasing throughput and is focussed on the production of higher margin pellets.

Sales
The results listed in the table below for revenue, adjusted cash flow, and adjusted cash flow per share were lower for the three mont period ended September 30, 2016 as compared to the same period ended September 30, 2015. This was largely due to the relative high sales tonnages of CFS in the third quarter of 2015. The third quarter of 2016 CFS sales were 31% lower than the previous yea corresponding quarter as the third quarter of 2015 sales were boosted by 2014 frozen material that was railed and shipped in 2015.

Other
IOC has created an operations centre pilot to test the integrated operations model and make use of latest technology to automate production systems and enable a safer, more efficient, and more stable operation. This will evolve into an operations center where integrated planning and dynamic scheduling functions will access real-time production data and status to effectively communicate a solve production issues as they arise. It is expected that the operations centre will be a significant factor to increase overall throughp and further reduce unit costs, over time.

IOC management reached an important agreement with the union to recruit a temporary workforce in Labrador City to enable them t better manage variability in the workforce.

It was announced that Kelly Sanders will retire as President and CEO of IOC. Clayton Walker, a senior Rio Tinto executive with extensive operating experience, was named as the Chair and CEO of IOC effective November 1, 2016. LIORC considers that Kelly Sanders provided strong leadership and assembled a strong senior management team at IOC in his two-year tenure. LIORC expect that the team will continue to improve safety, production and unit costs under Mr. Walker's leadership.

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

(in millions except per share information)	3 Months Ended Sept. 30, 2016	3 Months Ended Sept. 30, 2015	9 Months Ended Sept. 30, 2016	9 Months Ended Sept. 30, 2015
Revenue	$28.4	$32.0	$76.5	$79.7
Adjusted cash flow	$15.5	$17.9	$41.7	$44.1
Adjusted cash flow per share	$0.24	$0.28	$0.65	$0.69
Net income	$21.2	$19.0	$40.4	$44.4
Net income per share	$0.33	$0.30	$0.63	$0.69

"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 (sales as reported to LIORC by IOC for calculating the royalties) is as follows:

	3 Months Ended Sept. 30, 2016	3 Months Ended Sept. 30, 2015	9 Months Ended Sept. 30, 2016	9 Months Ended Sept. 30, 2015	Year Ended Dec. 31, 2015
Pellets	2.44	2.64	6.98	7.43	9.47
Concentrates(1)	2.18	3.15	6.38	5.75	8.41
Total	4.62	5.79	13.36	13.18	17.88

(1) Excludes third party ore sales

Outlook

Quarterly production and sales tonnages have been trending up in 2016. Record production of concentrates was achieved in Augus and September 2016. However, while IOC had expected 2016 production to be approximately 21 million tonnes of concentrate, it no appears that 2016 concentrate production will approach 20 million tonnes. Iron ore prices have trended up recently. The major seabourne iron ore producers are now more focused on profitability and free cash flow, not volume and market share. This change should be supportive for iron ore prices. Pellet premiums have strengthened significantly in 2016. With the expected increased production at IOC and a favourable exchange rate, the outlook is positive for your company.

Respectfully submitted on behalf of the Directors of Labrador Iron Ore Royalty Corp.,

William H. McNeil
President and Chief Executive Officer
November 4, 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 contai 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 IO 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 o three quarters. Because of the size of individual shipments, some quarters may be affected by the timing of the loading of ships tha can be delayed from one quarter to the next.

Royalty income for the third quarter of 2016 amounted to $27.9 million as compared to $31.4 million for the third quarter of 2015. Th shareholders' adjusted cash flow (see below for definition) for the third quarter was $15.5 million or $0.24 per share as compared to $17.9 million or $0.28 per share for the same period in 2015. Net income was $21.2 million or $0.33 per share compared to $19.0 million or $0.30 per share for the same period in 2015. Equity earnings from IOC amounted to $7.7 million or $0.12 per share as compared to $2.5 million or $0.04 per share in 2015. The increase in IOC equity earnings in the third quarter of 2016 was mainly du higher prices.

Iron Ore Company of Canada Operations

Concentrate production for the third quarter of 2016 was 5.2 million tonnes, with monthly records of 1.8 million tonnes set in both Au and September. After production of 2.7 million tonnes of pellets, 2.3 million tonnes of concentrate for sale ("CFS") were produced. T weight yield, which was an issue in previous quarters, improved in the third quarter of 2016. The tonnage delivered to the concentra on the parallel ore delivery system ("PODS") also achieved a new record in September. In the pellet plant, IOC is stabilizing and increasing throughput and is focussed on the production of higher margin pellets.

The results listed in the table below for revenue, adjusted cash flow, and adjusted cash flow per share were lower for the three mont period ended September 30, 2016 as compared to the same period ended September 30, 2015. This was largely due to the relative high sales tonnages of CFS in the third quarter of 2015. The third quarter of 2016 CFS sales were 31% lower than the previous year corresponding quarter as the third quarter of 2015 sales were boosted by 2014 frozen material that was railed and shipped in 2015.

IOC has created an operations centre pilot to test the integrated operations model and make use of latest technology to automate production systems and enable a safer, more efficient, and more stable operation. This will evolve into an operations center where integrated planning and dynamic scheduling functions will access real-time production data and status to effectively communicate an solve production issues as they arise. It is expected that the operations centre will be a significant factor to increase overall throughp and further reduce unit costs, over time.

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For the nine month period ended September 30, 2016, the year started well with record concentrate production in January and February. However low weight yields and issues with the PODS affected production in subsequent months into the summer. The performance was reversed in August and September with record setting production of concentrates. Overall for the nine month perio ended September 30, 2016, concentrate production totalled 14.2 million tonnes, slightly higher than the 14.1 million tonnes produce the corresponding period for 2015. Pellet production was affected in the first seven months of 2016 by low availability and throughpu IOC is focussed on improving maintenance practices to improve total pellet production. The initiatives resulted in pellet production exceeding plan in August and September 2016.

CFS tonnage sales in the nine month period ended September 30, 2016 were 11% higher than the corresponding period in 2015; pe tonnage sales were lower by 6%. The net result was that total pellet and CFS tonnage sales in the nine month period ended September 30, 2016 were slightly higher (1%) than the corresponding period in 2015. The pellet mix in 2016 to date has moved to higher margin pellets. The lower sales value in the nine month period ended September 30, 2016 as compared to 2015 resulted fron lower prices partially offset by the lower Canadian dollar exchange rate against its US counterpart.

Results for the nine months ended September 30, 2016 were affected by lower iron ore prices, a weaker Canadian dollar and strong pellet premiums. Net income was lower due to the 1% increase in the Newfoundland and Labrador corporate income tax rate, enact in the second quarter 2016 but retroactive to the first quarter 2016. This mainly affected deferred taxes and does not materially affec cash flow.

Equity earnings from IOC amounted to $6.7 million or $0.10 per share as compared to $3.5 million or $0.06 per share in 2015. The increase in IOC equity earnings in nine month period of 2016 was mainly due to a weaker Canadian dollar and increased productivit which resulted in lower costs and improved net earnings for IOC in the period.

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]	Distributions Declared per Share
	(in millions except per Share information)					
2016						
First Quarter	$22.3	$11.0	$0.17	$12.3	$0.19	$0.250
Second Quarter	$25.8	$8.3	$0.13	$13.9	$0.22	$0.250
Third Quarter	$28.4	$21.2	$0.33	$15.5	$0.24	$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 $0.24 for the quarter (2015 - $0.19). Cumulative standardized cash flow from inception of the Corporation is $22.11 per share and total cash distributions since inception is $21.69 per share, for a payout ratio of 98%.

"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 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.

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

	3 Months Ended Sept. 30, 2016	3 Months Ended Sept. 30, 2015	9 Months Ended Sept. 30, 2016	9 Months Ended Sept. 30, 20
Standardized cash flow from operating activities	$15,158,681	$12,204,510	$35,210,518	$39,930,494
Excluding: changes in amounts receivable, accounts payable and income taxes payable	371,240	5,693,543	6,471,843	4,188,393
Adjusted cash flow	$15,529,921	$17,898,053	$41,682,361	$44,118,887
Adjusted cash flow per share	$0.24	$0.28	$0.65	$0.69

Liquidity and Capital Resources

The Corporation has $11.7 million in cash as at September 30, 2016 (December 31, 2015 - $24.5 million) with total current assets of $40.2 million (December 31, 2015 - $45.2 million). The Corporation has working capital of $18.5 million as at September 30, 2016 (December 31, 2015 - $24.8 million). The Corporation's operating cash flow for the quarter was $15.2 million and the dividend paid during the quarter was $16.0 million, resulting in cash balances declining $0.8 million during the third 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, 2019 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

Quarterly production and sales tonnages have been trending up in 2016. Record production of concentrates was achieved in August and September 2016. However, while IOC had expected 2016 production to be approximately 21 million tonnes of concentrate, it now appears that 2016 concentrate production will approach 20 million tonnes. Iron ore prices have trended up recently. The major seabourne iron ore producers are now more focused on profitability and free cash flow, not volume and market share. This change should be supportive for iron ore prices. Pellet premiums have strengthened significantly in 2016. With the expected increased production at IOC and a favourable exchange rate, the outlook is positive for your company.

William H. McNeil
President and Chief Executive Officer
Toronto, Ontario
November 4, 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

Canadian $	As at September 30 2016 (Unaudited)	 December 31 2015
Assets		
Current Assets		
Cash	$ 11,674,030	$ 24,463,512
Amounts receivable	27,581,749	20,508,756
Income taxes recoverable	924,980	240,299
Total Current Assets	40,180,759	45,212,567
Non-Current Assets		
Iron Ore Company of Canada ("IOC"),		
royalty and commission interests	266,909,773	270,517,368
Investment in IOC	404,081,770	398,327,969
Total Non-Current Assets	670,991,543	668,845,337
Total Assets	$ 711,172,302	$ 714,057,904
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 5,700,043	$ 4,414,212
Dividend payable	16,000,000	16,000,000
Total Current Liabilities	21,700,043	20,414,212
Non-Current Liabilities		
Deferred income taxes	128,810,000	124,670,000
Total Liabilities	150,510,043	145,084,212
Shareholders' Equity		
Share capital	317,708,147	317,708,147
Retained earnings	254,838,112	262,415,545
Accumulated other comprehensive loss	(11,884,000)	(11,150,000)
	560,662,259	568,973,692

Total Liabilities and Shareholders' Equity	$ 711,172,302	$ 714,057,904

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS

OF COMPREHENSIVE INCOME

	For the Three Months Ended	
	September 30	
Canadian $	2016	2015
	(Unaudited)	
Revenue		
IOC royalties	$ 27,938,967	$ 31,409,072
IOC commissions	454,522	570,286
Interest and other income	32,188	53,846
	28,425,677	32,033,204
Expenses		
Newfoundland royalty taxes	5,587,793	6,281,814
Amortization of royalty and commission interests	1,199,015	1,420,534
Administrative expenses	675,260	630,356
	7,462,068	8,332,704
Income before equity earnings and income taxes	20,963,609	23,700,500
Equity earnings in IOC	7,670,484	2,500,242
Income before income taxes	28,634,093	26,200,742
Provision for income taxes		
Current	6,632,703	7,222,981
Deferred	834,000	(27,000)
	7,466,703	7,195,981
Net income for the period	21,167,390	19,004,761
Other comprehensive loss		
Share of other comprehensive loss of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2016 - $54,000; 2015 - $73,000)	(306,000)	(429,000)
Comprehensive income for the period	$ 20,861,390	$ 18,575,761
Net income per share	$ 0.33	$ 0.30

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Nine Months Ended	
	September 30	
Canadian $	2016	2015
	(Unaudited)	
Revenue		
IOC royalties	$ 75,066,603	$ 78,232,517
IOC commissions	1,314,740	1,297,980
Interest and other income	112,504	198,163
	76,493,847	79,728,660
Expenses		
Newfoundland royalty taxes	15,013,320	15,646,503
Amortization of royalty and commission interests	3,607,595	3,718,355
Administrative expenses	2,011,591	2,058,440
	20,632,506	21,423,298
Income before equity earnings and income taxes	55,861,341	58,305,362
Equity earnings in IOC	6,693,801	3,541,718
Income before income taxes	62,555,142	61,847,080
Provision for income taxes		
Current	17,786,575	17,904,830
Deferred	4,346,000	(495,000)
	22,132,575	17,409,830
Net income for the period	40,422,567	44,437,250
Other comprehensive loss		
Share of other comprehensive loss of IOC that will not be		
reclassified subsequently to profit or loss		
(net of income taxes of 2016 - $206,000; 2015 - $218,000)	(734,000)	(1,287,000)
Comprehensive income for the period	$ 39,688,567	$ 43,150,250
Net income per share		

$

0.69

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended	
	September 30	
Canadian $	2016	2015
	(Unaudited)	
Net inflow (outflow) of cash related		
to the following activities		
Operating		
Net income for the period	$ 40,422,567	$ 44,437,250
Items not affecting cash:		
Equity earnings in IOC	(6,693,801)	(3,541,718)
Current income taxes	17,786,575	17,904,830
Deferred income taxes	4,346,000	(495,000)
Amortization of royalty and commission interests	3,607,595	3,718,355
Change in amounts receivable	(7,072,993)	(6,394,652)
Change in accounts payable	1,285,831	1,178,473
Income taxes paid	(18,471,256)	(16,877,044)
Cash flow from operating activities	35,210,518	39,930,494
Financing		
Dividends paid to shareholders	(48,000,000)	(54,400,000)
Cash flow used in financing activities	(48,000,000)	(54,400,000)
Decrease in cash, during the period	(12,789,482)	(14,469,506)
Cash, beginning of period	24,463,512	34,955,633
Cash, end of period	$ 11,674,030	$ 20,486,127

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Canadian $	Share capital	Retained earnings	Accumulated other comprehensive loss	December 31
Balance as at December 31, 2014	$ 317,708,147	$ 271,757,232	$ (11,746,000)	$ 577,719,37
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)	$ 572,869,62
Balance as at December 31, 2015	$ 317,708,147	$ 262,415,545	$ (11,150,000)	$ 568,973,69
Net income for the period	-	40,422,567	-	40,422,567
Dividends declared to shareholders	-	(48,000,000)	-	(48,000,000)
Share of other comprehensive loss from investment in IOC (net of taxes)	-	-	(734,000)	(734,000)
Balance as at September 30, 2016	$ 317,708,147	$ 254,838,112	$ (11,884,000)	$ 560,662,25

The complete consolidated financial statements for the third quarter ended September 30, 2016, including the notes thereto, are posted on sedar.com and labradorironore.com.

SOURCE Labrador Iron Ore Royalty Corp.

Contact
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