

# Labrador Iron Ore Royalty Corporation - Results for the Third Quarter Ended September 30, 2017

06.11.2017 | [CNW](#)

TORONTO, Nov. 6, 2017 /CNW/ - [Labrador Iron Ore Royalty Corp.](#) ("LIORC", TSX: LIF) announced today its operational flow results for the third quarter ended September 30, 2017.

Royalty revenue for the third quarter of 2017 amounted to \$39.8 million as compared to \$27.9 million for the third quarter of 2016. LIORC received a dividend from Iron Ore Company of Canada ("IOC") in the third quarter of 2017 in the amount of \$32.0 million or \$0.50 per share. Equity earnings from IOC amounted to \$21.2 million or \$0.33 per share in the third quarter of 2017 as compared to \$7.7 million or \$0.12 per share in the third quarter of 2016. Net income was \$43.8 million or \$0.69 per share for the third quarter of 2017 compared to \$21.2 million or \$0.33 per share for the same period in 2016. Cash flow from operations for the third quarter of 2017 was \$53.6 million or \$0.84 per share as compared to \$15.2 million or \$0.24 per share for the same period in 2016.

The cash flow from operations, equity earnings and net income for the third quarter of 2017 were higher than the third quarter of 2016, mainly due to improved prices for concentrate and pellets and also due to increased sales tonnages. As reported by Bloomberg, the benchmark iron ore price of 62% Fe CFR China averaged US\$71 per tonne in the third quarter of 2017, up from US\$65 in the second quarter of 2017 and reached a high of US\$80 in August. The comparable average price in the third quarter of 2016 was US\$58 per tonne. Total iron ore sales tonnage & pellets plus concentrate for sale ("CFS") of 5.0 million tonnes was 8% higher in the third quarter of 2017 compared to the same period in 2016, driven largely by pellet tonnage sales being 14% higher than in the same period of 2016. The CFS sales tonnage in the third quarter of 2017 was slightly higher (plus 2%) than in the third quarter of 2016.

LIORC's results for the three months and nine months ended September 30 are summarized below:

	3 Months Ended	3 Months Ended	9 Months Ended	9 Months Ended
	Sept 30, 2017	Sept 30, 2016	Sept 30, 2017	Sept 30, 2016
(in millions except per share information)				
	(Unaudited)			
Revenue	\$40.4	\$28.4	\$118.0	\$76.5
Cash flow from operations	\$53.6	\$15.2	\$127.4	\$35.2
Operating cash flow per share	\$0.84	\$0.24	\$1.99	\$0.55
Net income	\$43.8	\$21.2	\$118.9	\$40.4
Net income per share	\$0.69	\$0.33	\$1.86	\$0.63

## Iron Ore Company of Canada Operations

### Production

Total concentrate production in the third quarter of 2017 of 5.7 million tonnes was 8% higher than the third quarter of 2016 and 16% higher than the second quarter of 2017. The record concentrate production in the third quarter of 2017 was due to improved weight yield and an increase of ground tonnes resulting from improved asset reliability.

The increased concentrate production in the third quarter enabled improved production tonnages for both pellets and CFS.

production in the third quarter of 2017 was 8% higher than the third quarter of 2016 and 24% higher than the second quarter of 2017. All six pellet lines operated in the third quarter of 2017 as planned, whereas in the second quarter of 2017 the No. 5 pellet line was down for the scheduled refurbishment of the induration machine. CFS production was 9% higher in the third quarter of 2017 than in the third quarter of 2016 and 12% higher than in the second quarter of 2017. Pellet production in the third quarter of 2017 was again favoured by the strong demand and margins.

#### Sales as Reported for the LIORC Royalty

Third quarter 2017 total iron ore tonnage sold by IOC (CFS plus pellets) of 5.0 million tonnes was 8% above the total sales tonnage in the third quarter 2016 and 24% improved over the second quarter of 2017. In the third quarter of 2017, the pellet tonnage was 14% higher and CFS sales tonnage was 39% higher than the second quarter of 2017. The higher CFS sales were largely due to improved concentrate production, referred to above. Continued strong pellet demand and premiums supported maximizing pellet production and sales. While tonnage sales of both CFS and pellets improved in the third quarter as compared to previous quarters, port loading and therefore sales tonnages, were constrained by maintenance over a 34-day period in August on the dumper for the rail wagons that transport the iron ore products to the port at Sept Isles. As a result of the delay in unloading the rail wagons and the inventory of CFS at the Carol Lake mine site was unusually high at the end of the quarter at some 0.6 million tonnes over plan.

The benchmark price for 62% Fe CFR China was 22% higher in the third quarter of 2017 as compared to the third quarter of 2016 and pellet premiums were also much improved. The Canadian dollar was 4% stronger in the third quarter of 2017 as compared to the third quarter of 2016. As a result of the stronger iron ore prices and pellet premiums, and net of the stronger Canadian dollar, the royalty revenue for LIORC in the third quarter of 2017 was 42% higher than the revenue in last year's third quarter.

A summary of IOC's sales for calculating the royalty to LIORC in millions of tonnes is as follows:

	3 Months Ended Sept 30, 2017	3 Months Ended Sept 30, 2016	9 Months Ended Sept 30, 2017	9 Months Ended Sept 30, 2016	Year Ended Dec. 31, 2016
Pellets	2.78	2.44	7.70	6.98	10.06
Concentrates <sup>(1)</sup>	2.23	2.18	6.01	6.38	8.17
Total <sup>(2)</sup>	5.00	4.62	13.71	13.36	18.22

(1)	Excludes third party ore sales
(2)	Totals may not add up due to rounding

#### Outlook

Following a strong third quarter in 2017, IOC is expecting good production and sales tonnages in the fourth quarter of 2017. The scheduled refurbishment of the induration machine for the No. 5 pellet line commenced in late September 2017 as planned. The No. 5 pellet line is expected to be offline for approximately nine weeks.

Rio Tinto, in its release of production results for the third quarter, maintained the IOC production guidance for 2017 of 18.2 million tonnes of iron ore pellets and concentrates for their 58.72% interest in IOC, which is total saleable production of 18.2 million tonnes on a 100% basis. Achieving the low end of the guidance would be a 6% improvement over the saleable production in 2016 of 18.2 million tonnes.

The 62% Fe CFR China benchmark iron ore price rose from approximately US\$64 per tonne at the beginning of the third quarter to a peak of US\$80 per tonne in August and declined back to approximately US\$62 per tonne at the end of the quarter. The price was supported by improved margins for Chinese steel mills and the decline was precipitated by concerns on the timing of Chinese infrastructure projects and reduced steel production in China to meet environmental targets. Forecasts for the

CFR China seaborne price vary considerably but tend to forecast prices trending lower for the balance of 2017 and the term, driven by increased supply, notably from Brazil. However, premiums for the higher grade iron ore concentrates such as produced by IOC, have been exceptionally strong and the value-in-use premiums may continue to be supported by Chinese efforts to reduce pollution.

In recent weeks the Canadian dollar has somewhat weakened, reflecting concern over the NAFTA negotiations and the interest rate increases by the Bank of Canada, and iron ore prices have weakened. These factors are offsetting but could also impact LIORC's results.

The IOC employees and management have had success in their efforts to increase production and reduce unit operating costs. We note the strong third quarter performance, and we expect strong fourth quarter sales as the inventories at Carol Lake reduced to more normal levels.

The LIORC cash balance at September 30, 2017 stood at \$64.9 million with LIORC dividends payable on October 25, 2017 of \$64.0 million. The net royalty from IOC was paid on the same date, maintaining the Corporation's strong cash balance. Based on our second quarter results, with a strong cash balance, iron ore prices at about US\$60 per tonne, the exchange rate at about 1.35 Canadian dollars per U.S. dollar and the expected increased production at IOC, LIORC is in a good position to maintain the regular dividend.

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

William H. McNeil  
President and Chief Executive Officer  
November 6, 2017

#### 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 Corporation's 2016 Annual Report and the financial statements and notes contained therein. The Corporation's revenue is entirely dependent on the operations of 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 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 large shipments that can be delayed from one quarter to the next.

Royalty revenue for the third quarter of 2017 amounted to \$39.8 million as compared to \$27.9 million for the third quarter of 2016. The shareholders' cash flow from operations for the third quarter was \$53.6 million or \$0.84 per share as compared to \$40.0 million or \$0.24 per share for the same period in 2016. LIORC received a dividend from IOC in the third quarter of 2017 in the amount of \$32.2 million or \$0.50 per share. Equity earnings from IOC amounted to \$21.2 million or \$0.33 per share in the third quarter of 2017 as compared to \$7.7 million or \$0.12 per share in the third quarter of 2016. Net income was \$43.8 million or \$0.69 per share for the third quarter of 2017 compared to \$21.2 million or \$0.33 per share for the same period in 2016.

The cash flow from operations, equity earnings and net income for the third quarter of 2017 were higher than the third quarter of 2016, mainly due to improved prices for concentrate and pellets and also due to increased sales tonnages. As reported by Bloomberg, the benchmark iron ore price of 62% Fe CFR China averaged US\$71 per tonne in the third quarter of 2017, reaching a high of US\$80 in August. The comparable average price in the third quarter of 2016 was US\$58 per tonne. The total iron ore sales tonnage & pellets plus CFS of 5.0 million tonnes was 8% higher in the third quarter of 2017 compared to the same period in 2016, driven largely by pellet tonnage sales being 14% higher than in the same period in 2016. The CFS sales for the third quarter of 2017 was slightly higher (plus 2%) than in the third quarter of 2016.

Total concentrate production in the third quarter of 2017 of 5.7 million tonnes was 8% higher than the third quarter of 2016 and 16% higher than the second quarter of 2017. The record concentrate production in the third quarter of 2017 was due to higher weight yield and an increase of ground tonnes resulting from improved asset reliability.

The increased concentrate production in the third quarter enabled improved production tonnages for both pellets and CFS.

production in the third quarter of 2017 was 8% higher than the third quarter of 2016 and 24% higher than the second quarter of 2017. All six pellet lines operated in the third quarter of 2017 as planned, whereas in the second quarter of 2017 the No. 1 line was down for the scheduled refurbishment of the induration machine. CFS production was 9% higher in the third quarter of 2017 than in the third quarter of 2016 and 12% higher than in the second quarter of 2017. Pellet production in the third quarter of 2017 was again favoured by the strong demand and margins.

Third quarter 2017 total iron ore tonnage sold by IOC (CFS plus pellets) of 5.0 million tonnes was 8% above the total sales tonnage in the third quarter 2016 and 24% improved over the second quarter of 2017. In the third quarter of 2017, the pellet tonnage was 14% higher and CFS sales tonnage was 39% higher than the second quarter of 2017. The higher CFS sales were largely due to improved concentrate production, referred to above. Continued strong pellet demand and premiums supported maximizing pellet production and sales. While tonnage sales of both CFS and pellets improved in the third quarter as compared to previous quarters, port loading and therefore sales tonnages, were constrained by maintenance over a 34-day period in late August on the dumper for the rail wagons that transport the iron ore products to the port at Sept Isles. As a result of the delay in unloading the rail wagons, the inventory of CFS at the Carol Lake mine site was unusually high at the end of the third quarter, some 0.6 million tonnes over plan.

The benchmark price for 62% Fe CFR China was 22% higher in the third quarter of 2017 as compared to the third quarter of 2016 and pellet premiums were also much improved. The Canadian dollar was 4% stronger in the third quarter of 2017 as compared to the third quarter of 2016. As a result of the stronger iron ore prices and pellet premiums, and net of the stronger Canadian dollar, the royalty revenue for LIORC in the third quarter of 2017 was 42% higher than the revenue in last year's third quarter.

Results for the nine months were affected by the same factors as affected the three month period. Administrative expenses for the nine months include a non-cash foreign exchange loss of \$0.3 million on the conversion of the dividend received from LORC in December 2016 and the 2016 bonuses awarded by the Compensation Committee to the executive officers totaling \$0.1 million. Amortization expense for royalty and commission interests increased \$1.2 million for the nine months due to an increase in the amortization rate reflecting lower estimated total mineral resources over the prior year.

The following table sets out quarterly revenue, net income and cash flow data for 2017, 2016 and 2015.

	Revenue	Net Income	Net Income per Share	Cash Flow	Cash Flow from Operations per Share	Adjusted Cash Flow per Share <sup>(1)</sup>	Dividends Declared per Share
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(in millions except per share information)

## 2017

First Quarter	\$43.4	\$42.9	\$0.67	\$28.2 <sup>(2)</sup>	\$0.44 <sup>(2)</sup>	\$0.53 <sup>(2)</sup>	\$0.50
Second Quarter	\$34.2	\$32.3	\$0.50	\$45.6 <sup>(3)</sup>	\$0.71 <sup>(3)</sup>	\$0.53 <sup>(3)</sup>	\$0.60
Third Quarter	\$40.4	\$43.8	\$0.69	\$53.6 <sup>(4)</sup>	\$0.84 <sup>(4)</sup>	\$0.85 <sup>(4)</sup>	\$1.00

## 2016

First Quarter	\$22.3	\$11.0	\$0.17	\$12.5	\$0.19	\$0.19	\$0.25
Second Quarter	\$25.8	\$8.3	\$0.13	\$7.6	\$0.12	\$0.22	\$0.25
Third Quarter	\$28.4	\$21.2	\$0.33	\$15.2	\$0.24	\$0.24	\$0.25
Fourth Quarter	\$38.6	\$37.7	\$0.59	\$28.3 <sup>(5)</sup>	\$0.44 <sup>(5)</sup>	\$0.57 <sup>(5)</sup>	\$0.25

## 2015

First Quarter	\$23.7	\$10.0	\$0.16	\$15.2	\$0.24	\$0.20	\$0.25
Second Quarter	\$24.0	\$15.4	\$0.24	\$12.5	\$0.20	\$0.21	\$0.25
Third Quarter	\$32.0	\$19.0	\$0.30	\$12.2	\$0.19	\$0.28	\$0.25
Fourth Quarter	\$22.0	\$10.3	\$0.15	\$20.0	\$0.31	\$0.19	\$0.25

(1)	"Adjusted cash flow" (see below)
(2)	Includes \$10.0 million IOC dividend.
(3)	Includes \$15.3 million IOC dividend.
(4)	Includes \$32.2 million IOC dividend.
(5)	Includes \$15.1 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 consolidated statements of cash flow as the Corporation does not incur capital expenditures or have any restrictions on dividends. Standardized cash flow per share was \$0.84 for the quarter (2016 - \$0.24). Cumulative standardized cash flow from inception of the Corporation is \$24.53 per share and total cash distributions since inception is \$24.04 per share, for a payout ratio of 98%.

The Corporation also reports "Adjusted cash flow" which is defined as cash flow from operating activities after adjustments for changes in amounts receivable, accounts payable and income taxes recoverable and 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 standardized cash flow from operating activities to adjusted cash flow (in '000's).

	3 Months Ended Sept 30, 2017	3 Months Ended Sept 30, 2016	9 Months Ended Sept 30, 2017	9 Months Ended Sept 30, 2016
Standardized cash flow from operating activities	\$53,640	\$15,159	\$127,398	\$127,398
Excluding: changes in amounts receivable, accounts payable and income taxes payable	798	370	(5,276)	(5,276)
Adjusted cash flow	\$54,438	\$15,529	\$122,122	\$122,122
Adjusted cash flow per share	\$0.85	\$0.24	\$1.91	\$1.91

### Liquidity and Capital Resources

The Corporation had \$64.9 million in cash as at September 30, 2017 (December 31, 2016 - \$23.9 million) with total current assets of \$102.4 million (December 31, 2016 - \$62.9 million). The Corporation had working capital of \$26.6 million as at September 30, 2017 (December 31, 2016 - \$38.8 million). The Corporation's operating cash flow for the quarter was \$53.6 million and the dividend paid during the quarter was \$38.4 million, resulting in cash balances increasing by \$15.2 million during the third quarter of 2017.

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 (2016 &ndash; nil) leaving \$50.0 million available to provide for any capital required by IOC or requirements of the Corporation.

### Outlook

Following a strong third quarter in 2017, IOC is expecting good production and sales tonnages in the fourth quarter of 2017. The refurbishment of the induration machine for the No. 5 pellet line commenced in late September 2017 as planned. The No. 5 pellet line is expected to be offline for approximately nine weeks.

Rio Tinto, in its release of production results for the third quarter, maintained the IOC production guidance for 2017 of 11.4 to 12.4 million tonnes of iron ore pellets and concentrates for their 58.72% interest in IOC, which is total saleable production of 19.4 to 21.1 million tonnes on a 100% basis. Achieving the low end of the guidance would be a 6% improvement over the saleable production in 2016 of 18.2 million tonnes.

The 62% Fe CFR China benchmark iron ore price rose from approximately US\$64 per tonne at the beginning of the third quarter to a peak of US\$80 per tonne in August and declined back to approximately US\$62 per tonne at the end of the quarter. The increase was supported by improved margins for Chinese steel mills and the decline was precipitated by concerns on the timing of large Chinese infrastructure projects and reduced steel production in China to meet environmental targets. Forecasts for the 62% Fe CFR China seaborne price vary considerably but tend to forecast prices trending lower for the balance of 2017 and the longer term, driven by increased supply, notably from Brazil. However, premiums for the higher grade iron ore concentrates and pellets, such as produced by IOC, have been exceptionally strong and the value-in-use premiums may continue to be supported by the Chinese efforts to reduce pollution.

In recent weeks the Canadian dollar has somewhat weakened, reflecting concern over the NAFTA negotiations and the outlook for interest rate increases by the Bank of Canada, and iron ore prices have weakened. These factors are offsetting but could affect LIORC's results.

The IOC employees and management have had success in their efforts to increase production and reduce unit operating costs. We note the strong third quarter performance, and we expect strong fourth quarter sales as the inventories at Carol Lake are reduced to more normal levels.

The LIORC cash balance at September 30, 2017 stood at \$64.9 million with LIORC dividends payable on October 25, 2017 of \$64.0 million. The net royalty from IOC was paid on the same date, maintaining the Corporation's strong cash balance. As noted in our second quarter results, with a strong cash balance, iron ore prices at about US\$60 per tonne, the exchange rate at present, and the expected increased production at IOC, LIORC is in a good position to maintain the regular dividend.

William H. McNeil  
President and Chief Executive Officer  
Toronto, Ontario  
November 6, 2017

#### Forward-Looking Statements

This report may contain "forward-looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "would", "anticipate" and other similar terminology are intended to identify forward-looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this report.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly, including iron ore price and volume volatility, exchange rates, the performance of IOC, market conditions in the steel industry, mining risks and insurance, relationships with aboriginal groups, changes affecting IOC's customers, competition from other iron ore producers, estimates of reserves and resources and government regulation and taxation. A discussion of these factors is contained in LIORC's annual information form dated March 2, 2017 under the heading, "Risk Factors". Although the forward-looking statements contained in this report are based upon what management of LIORC believes are reasonable assumptions, LIORC cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this report and LIORC assumes no obligation, except as required by law, to update any forward-looking statements to reflect new events or circumstances. This report should be viewed in conjunction with LIORC's other publicly available filings, copies of which can be obtained electronically on SEDAR at [www.sedar.com](http://www.sedar.com).

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,
(in thousands of Canadian dollars)	2017	2016
	(Unaudited)	
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 64,935	\$ 23,937
Amounts receivable	37,475	38,487
Income taxes recoverable	-	490
Total Current Assets	102,410	62,914
<b>Non-Current Assets</b>		
Iron Ore Company of Canada ("IOC"),		
royalty and commission interests	260,589	265,384
Investment in IOC	408,613	408,680
Total Non-Current Assets	669,202	674,064
Total Assets	\$ 771,612	\$ 736,978
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,677	\$ 8,073
Dividend payable	64,000	16,000
Taxes Payable	4,170	-
Total Current Liabilities	75,847	24,073
<b>Non-Current Liabilities</b>		



Deferred income taxes	127,660	129,060
Total Liabilities	203,507	153,133
Shareholders' Equity		
Share capital	317,708	317,708
Retained earnings	261,136	276,588
Accumulated other comprehensive loss	(10,739)	(10,451)
	568,105	583,845
Total Liabilities and Shareholders' Equity	\$ 771,612	\$ 736,978

Approved by the Directors,

LABRADOR IRON ORE ROYALTY CORPORATION

William H. McNeil

Patricia M. Volker

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Director

Director

For the Three Months Ended

September 30,

(in thousands of Canadian dollars except for per share information)

2017                      2016

(Unaudited)

Revenue

IOC royalties	\$ 39,810	\$ 27,939
IOC commissions	493	455
Interest and other income	110	32
	40,413	28,426

Expenses

Newfoundland royalty taxes	7,962	5,588
Amortization of royalty and commission interests	1,824	1,199
Administrative expenses	662	675
	10,448	7,462
Income before equity earnings and income taxes	29,965	20,964
Equity earnings in IOC	21,150	7,670

Income before income taxes	51,115	28,634
Provision for income taxes		
Current	9,519	6,633
Deferred	(2,183)	834
	7,336	7,467
Net income for the period	43,779	21,167
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 2017 - \$17; 2016 - \$54)	(96)	(306)
Comprehensive income for the period	\$ 43,683	\$ 20,861
Net income per share	\$ 0.69	\$ 0.33

## LABRADOR IRON ORE ROYALTY CORPORATION

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Nine Months Ended	
	September 30,	
(in thousands of Canadian dollars except for per share information)	2017	2016
	(Unaudited)	
Revenue		
IOC royalties	\$ 116,400	\$ 75,067
IOC commissions	1,350	1,315
Interest and other income	252	112
	118,002	76,494
Expenses		
Newfoundland royalty taxes	23,280	15,013
Amortization of royalty and commission interests	4,795	3,608
Administrative expenses	2,356	2,012
	30,431	20,633
Income before equity earnings and income taxes	87,571	55,861
Equity earnings in IOC	57,713	6,694
Income before income taxes	145,284	62,555
Provision for income taxes		
Current	27,685	17,787
Deferred	(1,349)	4,346
	26,336	22,133
Net income for the period	118,948	40,422
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 2017 - \$51; 2016 - \$206)	(288)	(734)
Comprehensive income for the period	\$ 118,660	\$ 39,688
Net income per share	\$ 1.86	\$ 0.63

## LABRADOR IRON ORE ROYALTY CORPORATION

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended	
	September 30,	
(in thousands of Canadian dollars except for per share information)	2017	2016
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	\$ 118,948	\$ 40,422
Items not affecting cash:		
Equity earnings in IOC	(57,713)	(6,694)
Current income taxes	27,685	17,787
Deferred income taxes	(1,349)	4,346
Amortization of royalty and commission interests	4,795	3,608
Common share dividend from IOC	57,441	-
Change in amounts receivable	1,012	(7,073)
Change in accounts payable	(396)	1,286
Income taxes paid	(23,025)	(18,471)
Cash flow from operating activities	127,398	35,211
Financing		
Dividends paid to shareholders	(86,400)	(48,000)
Cash flow used in financing activities	(86,400)	(48,000)
Increase (decrease) in cash, during the period	40,998	(12,789)
Cash, beginning of period	23,937	24,463
Cash, end of period	\$ 64,935	\$ 11,674

## LABRADOR IRON ORE ROYALTY CORPORATION

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

			Accumulated other comprehensive	
(in thousands of Canadian dollars except for per share information)	Share capital	Retained earnings	loss	Total
Balance as at December 31, 2015	\$ 317,708	\$ 262,415	\$ (11,150)	\$ 568,973
Net income for the period	-	40,423	-	40,423
Dividends declared to shareholders	-	(48,000)	-	(48,000)
Share of other comprehensive loss from investment in IOC (net of taxes)-	-	-	(734)	(734)
Balance as at September 30, 2016	\$ 317,708	\$ 254,838	\$ (11,884)	\$ 560,662
Balance as at December 31, 2016	\$ 317,708	\$ 276,588	\$ (10,451)	\$ 583,845
Net income for the period	-	118,948	-	118,948
Dividends declared to shareholders	-	(134,400)	-	(134,400)
Share of other comprehensive loss from investment in IOC (net of taxes)-	-	-	(288)	(288)
Balance as at September 30, 2017	\$ 317,708	\$ 261,136	\$ (10,739)	\$ 568,105

The complete consolidated financial statements for the third quarter ended September 30, 2017, including the notes thereto, are posted on [sedar.com](http://sedar.com) and [labradorironore.com](http://labradorironore.com).

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

## Contact

please contact: William H. McNeil, President & Chief Executive Officer, (416) 863-7133

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