

Labrador Iron Ore Royalty Corp. Results for the Second Quarter Ended June 30, 2020

07.08.2020 | [CNW](#)

TORONTO, Aug. 6, 2020 - [Labrador Iron Ore Royalty Corp.](#) ("LIORC") (TSX: LIF) announced today its operation and cash flow results for the second quarter ended June 30, 2020.

Royalty revenue for the second quarter of 2020 amounted to \$46.2 million compared to \$52.6 million for the second quarter of 2019. Net income was \$48.9 million or \$0.76 per share for the second quarter of 2020 compared to \$61.1 million or \$0.95 per share for the same period in 2019. Cash flow from operations for the second quarter was \$37.6 million or \$0.58 per share compared to \$47.8 million or \$0.75 per share for the same period in 2019. The Corporation received no dividend from IOC in the second quarter of 2020 compared to \$25.4 million or \$0.40 per share for the same period in 2019. Equity earnings from Iron Ore Company of Canada ("IOC") amounted to \$28.7 million or \$0.45 per share in the second quarter of 2020 compared to \$24.7 million or \$0.39 per share in the first quarter of 2020 and \$33.9 million or \$0.53 per share in the second quarter of 2019.

Royalty revenue and net income for the second quarter of 2020 were lower than the second quarter of 2019, predominantly as a result of lower iron ore prices and a change in IOC's product mix which was beneficial to IOC's earnings, but lowered IOC's revenue from which the LIORC royalty is calculated. While prices for concentrate remained strong in the second quarter, both concentrate and pellet prices were lower in the second quarter of 2020 compared to the second quarter of 2019. The average price for the Platts index for 62% Fe Iron Ore, CFR China ("62% Fe index") decreased 7% to US\$93 per tonne in the second quarter of 2020, compared to the average price of US\$100 per tonne in the second quarter of 2019. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US\$30 per tonne in the second quarter of 2020, a 55% decrease over the second quarter of 2019. Total IOC's sales for calculating the royalty to LIORC (concentrate for sale ("CFS") plus pellets) of 4.6 million tonnes were 1% higher in the second quarter of 2020 compared to the same period in 2019. However, while CFS sales of 2.4 million tonnes were 10% higher than in the same period in 2019, pellet sales in the second quarter of 2020 of 2.2 million tonnes were 7% lower than in the second quarter of 2019. Cash flow from operations in the second quarter of 2020 was lower than in the second quarter of 2019 largely because IOC elected not to pay a shareholder dividend in the second quarter of 2020 due to the global economic uncertainty created by the COVID-19 pandemic. While equity earnings from IOC in the second quarter of 2020 were lower than in the second quarter of 2019, mainly due to lower iron ore prices, equity earnings from IOC were higher than in the first quarter of 2020, due to higher iron ore prices and lower operating costs. IOC's operating costs were lower in the second quarter of 2020 because of the reduction in pellet production and as a result of operational changes made to deal with COVID-19 that limited the number of contractors on site and reduced overtime costs. IOC also benefitted from lower fuel costs in April and May.

LIORC's results for the three months and six months ended June 30 are summarized below:

(in millions except per share information)

	3 Months Ended	3 Months Ended	6 Months Ended	6 Months Ended
	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
	(Unaudited)			
Revenue	\$46.7	\$53.3	\$95.0	\$92.5
Cash flow from operations	\$37.6	\$47.8	\$48.3	\$72.8
Operating cash flow per share	\$0.58	\$0.75	\$0.75	\$1.14
Net income	\$48.9	\$61.1	\$95.5	\$100.4
Net income per share	\$0.76	\$0.95	\$1.49	\$1.57

Iron Ore Company of Canada Operations

Production

During the second quarter, IOC's mining, processing, rail and shipping operations continued to operate safely within the COVID-19 guidelines of both the Quebec and Newfoundland and Labrador governments. Despite the inclusion of social distancing protocols and limitations placed on certain employee and contractor movements, total concentrate production in the second quarter of 2020 of 4.8 million tonnes was 7% higher than the second quarter of 2019 and 3% higher than the first quarter of 2020. The total material moved was lower in the second quarter of 2020 than the second quarter of 2019, mainly driven by the absence of development contractors impacting waste movement and a lack of haul truck operators. However, this was more than offset by a lower strip ratio. Concentrate production in the second quarter of 2019, was also adversely affected by a flooding incident.

During the second quarter of 2020, total saleable production (CFS plus pellets) of 4.7 million tonnes was 9% higher than the second quarter of 2019. During the second quarter of 2020, IOC optimised its product mix to match market demand, by temporarily suspending two pellet machines from operation in order to increase production of CFS. As a result, CFS production in the second quarter of 2020 of 2.6 million tonnes was 28% higher than in the second quarter of 2019 and 65% higher than the first quarter of 2020. Pellet production in the second quarter of 2020 of 2.1 million tonnes was 7% lower than the second quarter of 2019 and 24% lower than the first quarter of 2020.

Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.6 million tonnes in the second quarter of 2020 was 1% higher compared to the same period in 2019. In the second quarter of 2020 CFS tonnage sold by IOC was 10% higher than in the same period in 2019 and pellet sales tonnage was 7% lower than in the second quarter of 2019, mainly as a result of the strategic change in product mix by IOC.

IOC sells CFS based on the Platts index for 65% Fe Iron Ore, CFR China ("65% Fe index"). In the second quarter of 2020 the average price for the 65% Fe index was US\$108 per tonne, a 6% decrease from the average price in the second quarter of 2019 and a 5% increase from the first quarter of 2020. Overall, prices for iron ore concentrate remained historically strong in the second quarter of 2020, due to continuing demand from China, the largest importer of iron ore, offsetting weaker demand outside of China. In the first half of 2020, China imported 547 million tonnes of iron ore, up 9.6% over the same period in 2019. In addition, during the second quarter iron ore prices benefited from ongoing supply concerns regarding future Brazilian production as a result of COVID-19 disruptions. In the second quarter the 65% Fe index traded at an average premium of 16% to the 62% Fe index. This was the same average premium as in the first quarter of 2020 and similar to the 15% average premium in the second quarter of 2019.

The COVID-19 pandemic continued to negatively affect the demand for iron ore outside of China. As a result, in the second quarter of 2020 there was reduced demand for pellets in various markets across Europe and North America. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US\$30

per tonne in the second quarter of 2020, a 55% decrease over the second quarter of 2019 and 3% higher than the first quarter of 2020. The average pellet price realized by IOC in the first half of 2020 was US\$117 per tonne, a 17% decrease from the average realized price of US\$141 per tonne in the first half of 2019.

A change in product mix and lower iron ore prices, and in particular lower pellet premiums, resulted in royalty revenue for LIORC in the second quarter of 2020 decreasing 12% compared to the royalty revenue in the second quarter of 2019.

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

	3 Months Ended Jun. 30, 2020	3 Months Ended Jun. 30, 2019	6 Months Ended Jun. 30, 2020	6 Months Ended Jun. 30, 2019	Year Ended Dec. 31, 2019
Pellets	2.25	2.42	5.27	5.13	9.62
Concentrates ⁽¹⁾	2.36	2.14	4.04	2.97	7.51
Total ⁽²⁾	4.61	4.57	9.31	8.10	17.14

(1) Excludes third party ore sales.

(2) Totals may not add up due to rounding.

Outlook

IOC continues to effectively operate its mining, processing, rail and shipping operations safely during the COVID-19 pandemic. IOC production and sales volumes remain strong despite the additional challenges presented by COVID-19, and Rio Tinto has recently reaffirmed its 2020 guidance for IOC's saleable production of CFS and pellets at between 17.9 and 20.4 million tonnes.

Capital expenditures at IOC for 2020 which were originally forecasted to be approximately \$350 million, are now projected to be approximately \$270 million. The \$80 million reduction in the capital expenditure forecast is due to the deferral of certain development projects, mainly related to COVID-19 protocol restrictions on bringing contractors and consultants on-site during the second quarter, as well as a delay in the finalization of the third-party service contract that is a prerequisite to increasing the haulage capacity of Québec North Shore and Labrador Railway.

Since June 30, the 65% Fe index has consistently been above its average price during the second quarter of 2020. However, it is anticipated that the economic impact from the COVID-19 pandemic will continue to cause both demand and supply disruptions to the seaborne iron ore market. While the outlook for China steel production in the second half of 2020 remains positive, it is unclear whether iron ore demand strength from China will be enough to offset the expected continued weakness of steel producers in Europe and North America. In addition, while steel prices benefited in the second quarter from fears that there would be supply constraints from Brazil, those fears were never fully realized, and recently Brazilian miner Vale reconfirmed its original production guidance, albeit at the lower end of its 310 to 330 million tonne range.

In such an uncertain economic environment, IOC's ability to optimize its production mix to meet changing market demands is a clear advantage. At the end of the first quarter of 2020, IOC halted production of two pellet machines in order to focus on meeting the demand for CFS. Recently, the Atlantic pellet market has

shown some improvement in demand and, as a result, IOC brought back on-line one of the two idled pellet lines.

IOC remains well positioned to benefit from its royalty and equity investments in IOC given strong iron ore market conditions and current production levels. In the first half of 2020, LIORC paid a total of \$0.75 per share in dividends to shareholders from cash received from its IOC royalty. In addition, while IOC decided not to declare a shareholder dividend in the first half of 2020, LIORC's share of equity earnings in IOC was \$53.4 million. LIORC continues to maintain a strong balance sheet with no debt and positive working capital (current assets minus current liabilities) of \$29.4 million as at June 30, 2020.

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

John F. Tuer
President and Chief Executive Officer
August 6, 2020

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 2019 Annual Report, and the financial statements and notes contained therein and the June 30, 2020 interim condensed consolidated financial statements. The Corporation's revenues are 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 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 revenue for the second quarter of 2020 amounted to \$46.2 million compared to \$52.6 million for the second quarter of 2019. Net income was \$48.9 million or \$0.76 per share for the second quarter of 2020 compared to \$61.1 million or \$0.95 per share for the same period in 2019. Cash flow from operations for the second quarter was \$37.6 million or \$0.58 per share compared to \$47.8 million or \$0.75 per share for the same period in 2019. The Corporation received no dividend from IOC in the second quarter of 2020 compared to \$25.4 million or \$0.40 per share for the same period in 2019. Equity earnings from IOC amounted to \$28.7 million or \$0.45 per share in the second quarter of 2020 compared to \$24.7 million or \$0.39 per share in the first quarter of 2020 and \$33.9 million or \$0.53 per share in the second quarter of 2019.

Royalty revenue and net income for the second quarter of 2020 were lower than the second quarter of 2019, predominantly as a result of lower iron ore prices and a change in IOC's product mix which was beneficial to IOC's earnings, but lowered IOC's revenue from which the LIORC royalty is calculated. While prices for concentrate remained strong in the second quarter, both concentrate and pellet prices were lower in the second quarter of 2020 compared to the second quarter of 2019. The average price for the 62% Fe index decreased 7% to US\$93 per tonne in the second quarter of 2020, compared to the average price of US\$100 per tonne in the second quarter of 2019. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US\$30 per tonne in the second quarter of 2020, a 55% decrease over the second quarter of 2019. Total IOC's sales for calculating the royalty to LIORC (CFS plus pellets) of 4.6 million tonnes were 1% higher in the second quarter of 2020 compared to the same period in 2019. However, while CFS sales of 2.4 million tonnes were 10% higher than in the same period in 2019, pellet sales in the second quarter of 2020 of 2.2 million tonnes were 7% lower than in the second quarter of 2019. Cash flow from operations in the second quarter of 2020 was lower than in the second quarter of 2019 largely because IOC elected not to pay a shareholder dividend in the second quarter of 2020 due to the global economic uncertainty created by the COVID-19 pandemic. While equity earnings from IOC in the second quarter of 2020 were lower than in the second quarter of 2019, mainly due to lower iron ore prices, equity earnings from IOC were higher than in the first quarter of 2020, due to higher iron ore prices and lower operating costs. IOC's operating costs were

lower in the second quarter of 2020 because of the reduction in pellet production and as a result of operational changes made to deal with COVID-19 that limited the number of contractors on site and reduced overtime costs. IOC also benefitted from lower fuel costs in April and May.

During the second quarter, IOC's mining, processing, rail and shipping operations continued to operate safely within the COVID-19 guidelines of both the Quebec and Newfoundland and Labrador governments. Despite the inclusion of social distancing protocols and limitations placed on certain employee and contractor movements, total concentrate production in the second quarter of 2020 of 4.8 million tonnes was 7% higher than the second quarter of 2019 and 3% higher than the first quarter of 2020. The total material moved was lower in the second quarter of 2020 than the second quarter of 2019, mainly driven by the absence of development contractors impacting waste movement and a lack of haul truck operators. However, this was more than offset by a lower strip ratio. Concentrate production in the second quarter of 2019, was also adversely affected by a flooding incident.

During the second quarter of 2020, total saleable production (CFS plus pellets) of 4.7 million tonnes was 9% higher than the second quarter of 2019. During the second quarter of 2020, IOC optimised its product mix to match market demand, by temporarily suspending two pellet machines from operation in order to increase production of CFS. As a result, CFS production in the second quarter of 2020 of 2.6 million tonnes was 28% higher than in the second quarter of 2019 and 65% higher than the first quarter of 2020. Pellet production in the second quarter of 2020 of 2.1 million tonnes was 7% lower than the second quarter of 2019 and 24% lower than the first quarter of 2020.

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.6 million tonnes in the second quarter of 2020 was 1% higher compared to the same period in 2019. In the second quarter of 2020 CFS tonnage sold by IOC was 10% higher than in the same period in 2019 and pellet sales tonnage was 7% lower than in the second quarter of 2019, mainly as a result of the strategic change in product mix by IOC.

IOC sells CFS based on the 65% Fe index. In the second quarter of 2020 the average price for the 65% Fe index was US\$108 per tonne, a 6% decrease from the average price in the second quarter of 2019 and a 5% increase from the first quarter of 2020. Overall, prices for iron ore concentrate remained historically strong in the second quarter of 2020, due to continuing demand from China, the largest importer of iron ore, offsetting weaker demand outside of China. In the first half of 2020, China imported 547 million tonnes of iron ore, up 9.6% over the same period in 2019. In addition, during the second quarter iron ore prices benefited from ongoing supply concerns regarding future Brazilian production as a result of possible COVID-19 disruptions. In the second quarter the 65% Fe index traded at an average premium of 16% to the 62% Fe index. This was the same average premium as in the first quarter of 2020 and similar to the 15% average premium in the second quarter of 2019.

The COVID-19 pandemic continued to negatively affect the demand for iron ore outside of China. As a result, in the second quarter of 2020 there was reduced demand for pellets in various markets across Europe and North America. The quarterly Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US\$30 per tonne in the second quarter of 2020, a 55% decrease over the second quarter of 2019 and 3% higher than the first quarter of 2020. The average pellet price realized by IOC in the first half of 2020 was US\$117 per tonne, a 17% decrease from the average realized price of US\$141 per tonne in the first half of 2019.

A change in product mix and lower iron ore prices, and in particular lower pellet premiums, resulted in royalty revenue for LIORC in the second quarter of 2020 decreasing 12% compared to the royalty revenue in the second quarter of 2019.

Results for the six months were affected by the same factors as affected the three month period. Royalty and commission interests amortization expense increased by \$0.3 million for the six months compared to the same period in 2019 due to the increase in production.

The following table sets out quarterly revenue, net income and cash flow data for 2020, 2019 and 2018.

	Revenue	Net Income	Net Income per Share	Cash Flow	Cash Flow from Operations per Share	Adjusted Cash Flow per Share	Dividends Declared per (1) Share
(in millions except per share information)							
2020							
First Quarter	\$48.3	\$46.7	\$0.73	\$10.7	\$0.17	\$0.42	\$0.35
Second Quarter	\$46.7	\$48.9	\$0.76	\$37.6	\$0.58	\$0.40	\$0.45
2019							
First Quarter	\$39.2	\$39.3	\$0.61	\$25.0	\$0.39	\$0.34	\$1.05
Second Quarter	\$53.3	\$61.1	\$0.95	\$47.8 ⁽²⁾	\$0.75 ⁽²⁾	\$0.86 ⁽²⁾	\$0.90
Third Quarter	\$46.2	\$57.5	\$0.90	\$72.6 ⁽³⁾	\$1.13 ⁽³⁾	\$1.02 ⁽³⁾	\$1.00
Fourth Quarter	\$39.6	\$47.4	\$0.74	\$79.1 ⁽⁴⁾	\$1.24 ⁽⁴⁾	\$1.03 ⁽⁴⁾	\$1.05
2018							
First Quarter	\$34.3	\$30.3	\$0.47	\$20.3	\$0.32	\$0.29	\$0.35
Second Quarter	\$5.2	\$(3.3)	\$(0.05)	\$15.5	\$0.24	\$0.04	\$0.25
Third Quarter	\$44.6	\$58.1	\$0.91	\$59.7 ⁽⁵⁾	\$0.93 ⁽⁵⁾	\$1.30 ⁽⁵⁾	\$0.55
Fourth Quarter	\$46.8	\$43.4	\$0.68	\$53.3 ⁽⁶⁾	\$0.83 ⁽⁶⁾	\$0.79 ⁽⁶⁾	\$0.60

(1) "Adjusted cash flow" (see below).

(2) Includes \$25.4 million IOC dividend.

(3) Includes \$40.1 million IOC dividend.

(4) Includes \$44.6 million IOC dividend.

(5) Includes \$58.6 million IOC dividend.

(6) Includes \$25.3 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 dividends. Standardized cash flow per share was \$0.58 for the quarter (2019 - \$0.75). Cumulative standardized cash flow from inception of the Corporation is \$31.73 per share and total cash distributions since inception is \$31.14 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	3 Months Ended	6 Months Ended
	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2019
Standardized cash flow from operating activities	\$37,614	\$47,837	\$48,260
Changes in amounts receivable, accounts payable and income taxes payable (11,975)		6,943	4,198
Adjusted cash flow	\$25,639	\$54,780	\$52,458
Adjusted cash flow per share	\$0.40	\$0.86	\$0.82

Liquidity and Capital Resources

The Corporation had \$36.5 million in cash as at June 30, 2020 (December 31, 2019 - \$77.9 million) with total current assets of \$83.7 million (December 31, 2019 - \$114.0 million). The Corporation had working capital of \$29.4 million as at June 30, 2020 (December 31, 2019 - \$28.2 million). The Corporation's operating cash flow for the quarter was \$37.6 million and the dividend paid during the quarter was \$22.4 million, resulting in cash balances increasing by \$15.2 million during the second quarter of 2020.

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 normally pays cash dividends from its net income to the maximum extent possible, subject to the maintenance of appropriate levels of working capital.

The Corporation has a \$30 million revolving credit facility with a term ending September 18, 2022 with provision for annual one-year extensions. No amount is currently drawn under this facility (2019 – nil) leaving \$30.0 million available to provide for any capital required by IOC or requirements of the Corporation.

Outlook

IOC continues to effectively operate its mining, processing, rail and shipping operations safely during the COVID-19 pandemic. IOC production and sales volumes remain strong despite the additional challenges presented by COVID-19, and Rio Tinto has recently reaffirmed its 2020 guidance for IOC's saleable production of CFS and pellets at between 17.9 and 20.4 million tonnes.

Capital expenditures at IOC for 2020 which were originally forecasted to be approximately \$350 million, are

now projected to be approximately \$270 million. The \$80 million reduction in the capital expenditure forecast is due to the deferral of certain development projects, mainly related to COVID-19 protocol restrictions on bringing contractors and consultants on-site during the second quarter, as well as a delay in the finalization of the third-party service contract that is a prerequisite to increasing the haulage capacity of Québec North Shore and Labrador Railway.

Since June 30, the 65% Fe index has consistently been above its average price during the second quarter of 2020. However, it is anticipated that the economic impact from the COVID-19 pandemic will continue to cause both demand and supply disruptions to the seaborne iron ore market. While the outlook for China steel production in the second half of 2020 remains positive, it is unclear whether iron ore demand strength from China will be enough to offset the expected continued weakness of steel producers in Europe and North America. In addition, while steel prices benefited in the second quarter from fears that there would be supply constraints from Brazil, those fears were never fully realized, and recently Brazilian miner Vale reconfirmed its original production guidance, albeit at the lower end of its 310 to 330 million tonne range.

In such an uncertain economic environment, IOC's ability to optimize its production mix to meet changing market demands is a clear advantage. At the end of the first quarter of 2020, IOC halted production of two pellet machines in order to focus on meeting the demand for CFS. Recently, the Atlantic pellet market has shown some improvement in demand and, as a result, IOC brought back on-line one of the two idled pellet lines.

IOC remains well positioned to benefit from its royalty and equity investments in IOC given strong iron ore market conditions and current production levels. In the first half of 2020, LIORC paid a total of \$0.75 per share in dividends to shareholders from cash received from its IOC royalty. In addition, while IOC decided not to declare a shareholder dividend in the first half of 2020, LIORC's share of equity earnings in IOC was \$53.4 million. LIORC continues to maintain a strong balance sheet with no debt and positive working capital (current assets minus current liabilities) of \$29.4 million as at June 30, 2020.

John F. Tuer
President and Chief Executive Officer
Toronto, Ontario
August 6, 2020

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 indigenous groups, natural disasters, severe weather conditions and public health epidemics, 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 5, 2020 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.

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 Corp.](#)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at

June 30, December 31,

(in 2020 2019

thousands

(unaudited)

Canadian

dollars)

Assets

Current Assets \$36,526 \$ 77,859

and \$17,188 36,156

Short-term investments

\$3,664 114,015

Total Current Assets

Non-Current Assets

Iron Ore

Company 247,701

and

Government 381,310

Investments

(in U.S. \$)

\$18,572 629,011

Total Non-Current Assets

\$762,236 \$ 743,026

Total Assets

Liabilities and

Shareholders' Equity

\$10,032 \$ 7,939

Accounts payable

Dividends payable 67,200

Taxes payable 10,710

Total Current Liabilities 85,849

Non-Current Liabilities

Deferred income 119,840

Taxes 205,689

Total Liabilities 317,708

Shareholders' Equity

Share capital 317,708

Total Shareholders' Equity

\$17,708 317,708

Total Equity

\$17,708 317,708

Total Liabilities and Equity

\$762,236 \$ 743,026

2020	2019
271,913	230,005
earnings	
(10,376)	(10,376)
Accounted	
other	
537,337	537,337
comprehensive	
loss	

\$ 743,026 \$ 743,026

Liabilities
and
Shareholders'

Equity
Labrador Iron Ore Royalty Corp.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Directors,

Patricia M. Volker

For the Three Months Ended

Director

June 30,

2020 2019
thousands
(Unaudited)
Canadian
Dollars
except

106,213 \$ 52,610

Royalties

449

Commissions

245

Interest

and
other 48,712 53,304

income

Expenses

Newfoundland 10,522

royalty

taxation 1,325

of

Administrative 787

expenses

commission 12,634

interests

Income 40,670

before

Equity 33,935

earnings

and

Income 74,605

before

income

Provision

for

Income 12,609

taxes

Deferred

taxes 896

14,844 13,505

[Labrador Iron Ore Royalty Corp.](#)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	For the Six Months Ended	
	June 30,	
(in thousands of Canadian dollars except for per share information)	2020	2019
	(Unaudited)	
Revenue		
IOC royalties	\$ 93,828	\$ 91,106
IOC commissions	916	797
Interest and other income	267	611
	95,011	92,514
Expenses		
Newfoundland royalty taxes	18,766	18,221
Amortization of royalty and commission interests	3,267	2,933
Administrative expenses	1,373	1,559
	23,406	22,713
Income before equity earnings and income taxes	71,605	69,801
Equity earnings in IOC	53,360	56,344
Income before income taxes	124,965	126,145
Provision for income taxes		
Current	22,407	21,838
Deferred	7,050	3,860
	29,457	25,698
Net income for the period	95,508	100,447
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 2020 - \$80; 2019 - \$184)		

(452)

(1,042)

Comprehensive income for the period	\$ 95,056	\$ 99,405
Net income per share	\$ 1.49	\$ 1.57

[Labrador Iron Ore Royalty Corp.](#)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended

June 30,

2020	2019
thousands	
(Unaudited)	
Canadian	
dollars)	
inflow	
(outflow)	
of	
the	
following	
category	
Operating	
\$ 5,508	\$ 100,447
income	
from	
the	
sale	
of	
the	
company	
and	
cash	
of	
2020	21,838
Income	
taxes	
of	
2020	3,860
income	
tax	
recognition	
of	
2020	25,440
Gain	
on	
and	
re	
2020	(8,532)
Change	
in	
interest	
receivable	
of	
2020	1,408
Change	
in	
receivable	
of	
2020	(18,250)
Change	
in	
payable	
of	
2020	72,800
Change	
in	
payable	
from	
Operating	
activities	
2020	(105,600)
Change	
in	
paid	
of	
2020	(105,600)
Change	
in	
paid	
to	
shareholders	
used	
2020	(32,800)
Change	
in	
financing	
activities	
of	
2020	80,495
Change	
in	
cash	
at	
beginning	
of	
2020	\$ 47,695
Change	
in	
cash	
at	
end	
of	
period	

The complete consolidated financial statements for the second quarter ended June 30, 2020, including the

notes thereto, are posted on sedar.com and labradorironore.com.

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

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