

# Labrador Iron Ore Royalty Corporation - Results for the Third Quarter Ended September 30, 2020

06.11.2020 | [CNW](#)

TORONTO, Nov. 5, 2020 - [Labrador Iron Ore Royalty Corp.](#) ("LIORC"), (TSX: LIF) announced today its operation and results for the third quarter ended September 30, 2020.

Royalty revenue for the third quarter of 2020 amounted to \$52.4 million compared to \$45.5 million for the third quarter of 2019. Net income was \$57.7 million or \$0.90 per share for the third quarter of 2020 compared to \$57.5 million or \$0.90 per share for the same period in 2019. Equity earnings from Iron Ore Company of Canada ("IOC") amounted to \$34.9 million or \$0.55 per share for the third quarter of 2020 compared to \$28.7 million or \$0.45 per share in the second quarter of 2020 and \$32.0 million or \$0.45 per share in the third quarter of 2019. Cash flow from operations for the third quarter was \$11.1 million or \$0.17 per share compared to \$72.6 million or \$1.13 per share for the same period in 2019. The third quarter of 2019 included a dividend of \$40.1 million or \$0.60 per share from IOC.

Royalty revenue for the third quarter of 2020 was 15% higher than the third quarter of 2019, predominantly as a result of higher realized iron ore prices and marginally higher sales tonnage. While prices for concentrate were higher in the third quarter of 2020 compared to the third quarter of 2019, pellet premiums were lower. The average price for the Platts index for 62% Fe Iron Ore CFR China ("62% Fe index") increased 16% to US\$118 per tonne in the third quarter of 2020, compared to the average price of US\$102 per tonne in the third quarter of 2019. The Atlantic Basin blast furnace pellet premium, as reported by Platts, was US\$29 per tonne in the third quarter of 2020, a 49% decrease over the third quarter of 2019. Despite the impacts on the operations of IOC from the COVID-19 pandemic, the total IOC's sales for calculating the royalty to LIORC (concentrate for sale ("CFS") and pellets) of 4.7 million tonnes were 3% higher in the third quarter of 2020 compared to the same period in 2019. However, pellet sales in the third quarter of 2020 of 2.3 million tonnes were 15% higher than in the third quarter of 2019, CFS sales of 2.4 million tonnes were 6% lower than in the same period in 2019. Cash flow from operations in the third quarter of 2020 was lower than in the third quarter of 2019 largely because IOC elected not to pay a shareholder dividend in the third quarter of 2020 to retain a substantially higher cash balance due to concerns that the COVID-19 pandemic may adversely affect IOC's operations and demand for its iron ore products. Equity earnings from IOC in the third quarter of 2020 were higher than in the third quarter of 2019, mainly due to higher realized iron ore prices.

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
(in millions except per share information)	Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019
	(Unaudited)			
Revenue	\$52.9	\$46.2	\$147.9	\$138.7
Cash flow from operations	\$11.1	\$72.6	\$59.4	\$145.4
Operating cash flow per share	\$0.17	\$1.13	\$0.93	\$2.27
Net income	\$57.7	\$57.5	\$153.2	\$157.9
Net income per share	\$0.90	\$0.90	\$2.39	\$2.47

Iron Ore Company of Canada Operations

## Production

Total concentrate production in the third quarter of 2020 was 4.2 million tonnes. This was 21% lower than the third quarter of 2019 and 12% lower than the second quarter of 2020 due mainly to unplanned mechanical issues and power outages affecting the processing plant and a longer annual maintenance shutdown in September.

During the third quarter of 2020, total saleable production (CFS plus pellets) of 4.0 million tonnes was 21% lower than the third quarter of 2019, mainly as a result of lower concentrate production referred to above. CFS production in the third quarter of 2020 of 1.8 million tonnes was 26% lower than in the third quarter of 2019 and 32% lower than the second quarter of 2020. Pellet production in the third quarter of 2020 of 2.2 million tonnes was 17% lower than the third quarter of 2019, and 5% higher than the second quarter of 2020. Pellet production in the third quarter of 2020 was reduced due to IOC's decision to continue to align the product mix with customer demand by having one pellet line retired from operations during the quarter because of low demand from Europe. In the third quarter of 2019 all six pellet lines were in operation and in the second quarter of 2020 two pellet lines were retired from operations because of low European pellet demand. Pellet production in the third quarter of 2020 was adversely impacted by the lack of pellet feed due to the concentrator issues noted above and a rescheduled two-month rebuild one of the pellet lines from March to September due to COVID-19.

Total concentrate production for the nine months of 2020 was 13.8 million tonnes. This was 4% lower compared to the same period in the prior year, mainly as a result of the unplanned mechanical issues and power outages affecting the processing plant during the third quarter of 2020. Pellet production for the nine months of 2020 of 7.1 million tonnes was 7% lower compared to the same period in the prior year, mainly as a result of the decision to temporarily retire pellet lines from operations to align the product mix with customer demand. CFS production for the nine months of 2020 of 5.9 million tonnes was the same as the same period in the prior year.

## Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.7 million tonnes in the third quarter of 2020 was 3% higher than the same period in 2019. In the third quarter of 2020 CFS tonnage sold by IOC was 6% lower than in the same period in 2019 due to lower CFS production. Pellet sales tonnage was 15% higher than in the third quarter of 2019 mainly due to availability of pellets with ship-loaders in the third quarter of 2019, and 4% higher than the second quarter of 2020 due to an increase in pellet production as one of the two pellet lines retired in the first quarter of 2020 was brought back online in July as the demand for pellets in Europe improved.

Total iron ore sales tonnage by IOC (CFS plus pellets) for the nine months of 2020 was 14.0 million tonnes. This was 1% higher compared to the same period in 2019. CFS tonnage sold by IOC for the nine months of 2020 of 6.3 million tonnes was 6% lower compared to the same period in the prior year, mainly due to breakdowns on reclaiming and ship-loading equipment in the third quarter of 2019. Pellet tonnage sold by IOC for the nine months of 2020 of 7.6 million tonnes was 6% higher compared to the same period in the prior year, mainly due to breakdowns on reclaiming and ship-loading equipment in the third quarter of 2019 and lower pellet production in the second and third quarter of 2020 due to the decision to temporarily retire pellet lines from operations to align the product mix with customer demand.

IOC sells CFS based on the Platts index for 65% Fe Iron Ore, CFR China ("65% Fe index"). In the third quarter of 2020 the average price for the 65% Fe index was US\$129 per tonne, a 18% increase from the average price in the third quarter of 2019 and a 19% increase from the second quarter of 2020. Prices for iron ore concentrate increased in the third quarter of 2020, continuing strong demand from China and tighter supply conditions. In the third quarter the 65% Fe index traded at an average premium of 9% to the 62% Fe index. This was higher than the 7% average premium in the third quarter of 2019 but was lower than the average premium of 16% in the second quarter of 2020, as higher prices caused some steel producers to switch to 62% iron ore.

Despite an increase in pellet demand in Europe, overall low global steel demand and margins outside of China, and high iron ore base prices, pushed pellet premiums lower in the third quarter of 2020 to multi-year lows. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US\$29 per tonne in the third quarter of 2020, a 49% decrease over the third quarter of 2019 and a 5% decrease over the second quarter of 2020.

Higher prices for CFS, partially offset by lower pellet premiums resulted in royalty revenue for LIORC in the third quarter of 2020 increasing 15% compared to the royalty revenue in the third 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 Sept. 30, 2020	3 Months Ended Sept. 30, 2019	9 Months Ended Sept. 30, 2020	9 Months Ended Sept. 30, 2019	Year Ended Dec. 31, 2019
Pellets	2.35	2.04	7.61	7.17	9.62
Concentrates <sup>(1)</sup>	2.31	2.46	6.35	5.43	7.51
Total <sup>(2)</sup>	4.65	4.51	13.96	12.60	17.14

(1) Excludes third party ore sales.

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

## Outlook

IOC production and sales volumes remain on target despite the additional challenges presented by COVID-19. In its third quarter operational report, Rio Tinto recently reaffirmed its 2020 guidance for IOC's saleable production of CFS and pellets at between 17.9 and 20.4 million tonnes.

IOC continues to optimise its product mix to match market demand. Following signs of some recovery in pellet demand from Europe, IOC increased pellet production in the third quarter by operating five out of six lines in the pellet plant, and plans to bring back the sixth line before the end of 2020.

Iron ore prices currently remain at multi-year highs. Since September 30, 2020 the average price for the 65% Fe index has remained above the average during the third quarter of 2020. Global economic activity is generally strong, and iron ore demand in China is at record levels as a result of commodity-intensive stimulus measures. However, steel production outside of China remains down significantly year over year, and earlier constraints on seaborne iron ore as a result of supply disruptions due to COVID-19 are easing and the major producers are expected to deliver strong volumes in the fourth quarter of 2020 which could result in lower iron ore prices. Also, there remain concerns of renewed lockdowns as a result of the ongoing COVID-19 pandemic that could threaten IOC operations and the global economic recovery.

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 nine months of 2020, LIORC paid a total of \$1.25 per share in dividends to shareholders from cash received from its IOC royalty. In addition, LIORC's share of equity earnings in IOC was \$88.3 million. However, despite the positive earnings at IOC, IOC decided not to declare a shareholder dividend in the nine months of 2020, in order to retain a higher cash balance because of the global economic uncertainty created by the COVID-19 pandemic. As a result, should IOC continue to be able to successfully operate throughout the duration of the COVID-19 pandemic, LIORC would expect that this substantial cash balance at IOC will ultimately benefit LIORC in the form of higher future IOC dividends. LIORC continues to maintain a strong balance sheet with no debt and positive working capital (current assets minus current liabilities) of \$29.8 million as at September 30, 2020.

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

John F. Tuer  
President and Chief Executive Officer  
November 5, 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 September 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 &#8211; 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% &#8211; 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 third quarter of 2020 amounted to \$52.4 million compared to \$45.5 million for the third quarter of 2019. Net income was \$57.7 million or \$0.90 per share for the third quarter of 2020 compared to \$57.5 million or \$0.90 per share for the same period in 2019. Equity earnings from IOC amounted to \$34.9 million or \$0.55 per share in the third quarter of 2020 compared to \$28.7 million or \$0.45 per share in the second quarter of 2020 and \$32.0 million or \$0.50 per share in the third quarter of 2019. Cash flow from operations for the third quarter was \$11.1 million or \$0.17 per share compared to \$72.6 million or \$1.13 per share for the same period in 2019. The third quarter of 2019 included a dividend of \$40.1 million or \$0.63 per share from IOC.

Royalty revenue for the third quarter of 2020 was 15% higher than the third quarter of 2019, predominantly as a result of higher realized iron ore prices and marginally higher sales tonnage. While prices for concentrate were higher in the third quarter of 2020 compared to the third quarter of 2019, pellet premiums were lower. The average price for the 62% Fe index increased 16% to US\$118 per tonne in the third quarter of 2020, compared to the average price of US\$102 per tonne in the third quarter of 2019. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US\$29 per tonne in the third quarter of 2020, a 49% decrease over the third quarter of 2019. Despite the impacts on the operations of IOC from the COVID-19 pandemic, the total IOC's sales for calculating the royalty to LIORC (CFS plus pellets) of 4.7 million tonnes were 3% higher in the third quarter of 2020 compared to the same period in 2019. However, while pellet sales in the third quarter of 2020 of 2.3 million tonnes were 15% higher than in the third quarter of 2019, CFS sales of 2.3 million tonnes were 6% lower than in the same period in 2019. Cash flow from operations in the third quarter of 2020 was lower than in the third quarter of 2019 largely because IOC elected not to pay a shareholder dividend in the third quarter of 2020 in order to retain a substantially higher cash balance due to concerns that the COVID-19 pandemic may adversely affect IOC's operations and demand for its iron ore products. Equity earnings from IOC in the third quarter of 2020 were higher than in the third quarter of 2019, mainly due to higher realized iron ore prices.

Total concentrate production in the third quarter of 2020 was 4.2 million tonnes. This was 21% lower than the third quarter of 2019 and 12% lower than the second quarter of 2020 due mainly to unplanned mechanical issues and power outages affecting the processing plant and a longer annual maintenance shutdown in September.

During the third quarter of 2020, total saleable production (CFS plus pellets) of 4.0 million tonnes was 21% lower than the third quarter of 2019, mainly as a result of lower concentrate production referred to above. CFS production in the third quarter of 2020 of 1.8 million tonnes was 26% lower than in the third quarter of 2019 and 32% lower than the second quarter of 2020. Pellet production in the third quarter of 2020 of 2.2 million tonnes was 17% lower than the third quarter of 2019, and 5% higher than the second quarter of 2020. Pellet production in the third quarter of 2020 was reduced due to IOC's decision to continue to align the product mix with customer demand by having one pellet line retired from operations during the quarter because of low demand from Europe. In the third quarter of 2019 all six pellet lines were in operation and in the second quarter of 2020 two pellet lines were retired from operations because of low European pellet demand. Pellet production in the third quarter of 2020 was also adversely impacted by the lack of pellet feed due to the concentrator issues noted above and a rescheduled two-month outage to rebuild one of the pellet lines from March to September due to COVID-19.

Total concentrate production for the nine months of 2020 was 13.8 million tonnes. This was 4% lower

compared to the same period in the prior year, mainly as a result of the unplanned mechanical issues and power outages affecting the processing plant in the third quarter of 2020. Pellet production for the nine months of 2020 of 7.1 million tonnes was 7% lower compared to the same period in the prior year, mainly as a result of the decision to temporarily retire pellet lines from operations to align the product mix with customer demand. CFS production for the nine months of 2020 of 5.9 million tonnes was the same as the same period in the prior year.

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.7 million tonnes in the third quarter of 2020 was 3% higher compared to the same period in 2019. In the third quarter of 2020 CFS tonnage sold by IOC was 6% lower than in the same period in 2019 due to lower CFS production. Pellet sales tonnage was 15% higher than in the third quarter of 2019 mainly due to availability issues with ship-loaders in the third quarter of 2019, and 4% higher than the second quarter of 2020 due to an increase in pellet production as one of the two pellet lines retired in the first quarter of 2020 was brought back online in July as the demand for pellets in Europe improved.

Total iron ore sales tonnage by IOC (CFS plus pellets) for the nine months of 2020 was 14.0 million tonnes. This was 11% higher compared to the same period in 2019. CFS tonnage sold by IOC for the nine months of 2020 of 6.3 million tonnes was 17% higher compared to the same period in the prior year, mainly due to breakdowns on reclaiming and ship-loading equipment in the third quarter of 2019. Pellet tonnage sold by IOC for the nine months of 2020 of 7.6 million tonnes was 6% higher compared to the same period in the prior year, mainly due to breakdowns on reclaiming and ship-loading equipment in the third quarter of 2019, offset by lower pellet production in the second and third quarter of 2020 due to the decision to temporarily retire pellet lines from operations to align the product mix with customer demand.

IOC sells CFS based on the 65% Fe index. In the third quarter of 2020 the average price for the 65% Fe index was US\$129 per tonne, a 18% increase from the average price in the third quarter of 2019 and a 19% increase from the second quarter of 2020. Prices for iron ore concentrate increased in the third quarter of 2020, due to continuing strong demand from China and tighter supply conditions. In the third quarter the 65% Fe index traded at an average premium of 9% to the 62% Fe index. This was higher than the 7% average premium in the third quarter of 2019 but was lower than the average premium of 16% in the second quarter of 2020, as higher prices caused some steel producers to switch to lower grade iron ore.

Despite an increase in pellet demand in Europe, overall low global steel demand and margins outside of China, and high iron ore base prices, pushed pellet premiums lower in the third quarter of 2020 to multi-year lows. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US\$29 per tonne in the third quarter of 2020, a 49% decrease over the third quarter of 2019 and a 5% decrease over the second quarter of 2020.

Higher prices for CFS, partially offset by lower pellet premiums resulted in royalty revenue for LIORC in the third quarter of 2020 increasing 15% compared to the royalty revenue in the third quarter of 2019.

Results for the nine months were affected by the same factors as affected the three month period.

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

	Net Income per Share			Cash Flow from Operations per Share Adjusted		
	Net Income			Cash Flow		
	Revenue					
(in millions except per share information)						
2020						
First Quarter	\$48.3	\$46.7	\$0.73	\$10.7	\$0.17	\$0.42
Second Quarter	\$46.7	\$48.9	\$0.76	\$37.6	\$0.58	\$0.40
Third Quarter	\$52.9	\$57.7	\$0.90	\$11.1	\$0.17	\$0.46
2019						
First Quarter	\$39.2	\$39.3	\$0.61	\$25.0	\$0.39	\$0.34
Second Quarter	\$53.3	\$61.1	\$0.95	\$47.8 <sup>(2)</sup>	\$0.75 <sup>(2)</sup>	\$0.86 <sup>(2)</sup>
Third Quarter	\$46.2	\$57.5	\$0.90	\$72.6 <sup>(3)</sup>	\$1.13 <sup>(3)</sup>	\$1.02 <sup>(3)</sup>
Fourth Quarter	\$39.6	\$47.4	\$0.74	\$79.1 <sup>(4)</sup>	\$1.24 <sup>(4)</sup>	\$1.03 <sup>(4)</sup>
2018						
First Quarter	\$34.3	\$30.3	\$0.47	\$20.3	\$0.32	\$0.29
Second Quarter	\$5.2	\$(3.3)	\$(0.05)	\$15.5	\$0.24	\$0.04
Third Quarter	\$44.6	\$58.1	\$0.91	\$59.7 <sup>(5)</sup>	\$0.93 <sup>(5)</sup>	\$1.30 <sup>(5)</sup>
Fourth Quarter	\$46.8	\$43.4	\$0.68	\$53.3 <sup>(6)</sup>	\$0.83 <sup>(6)</sup>	\$0.79 <sup>(6)</sup>

- (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 \$0.17 for the quarter (2019 - \$1.13). Cumulative standardized cash flow from inception of the Corporation is \$31.90 per share and total cash distributions since inception is \$31.59 per share, for a payout ratio of 99%.

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	9 Months Ended
	Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2018
Standardized cash flow from operating activities	\$11,084	\$72,646	\$59,350
Changes in amounts receivable, accounts payable and income taxes payable	18,070	(7,049)	22,268
Adjusted cash flow	\$29,154	\$65,597	\$81,618
Adjusted cash flow per share	\$0.46	\$1.02	\$1.28

#### Liquidity and Capital Resources

The Corporation had \$18.8 million in cash as at September 30, 2020 (December 31, 2019 - \$77.9 million) with total current assets of \$73.3 million (December 31, 2019 - \$114.0 million). The Corporation had working capital of \$29.8 million as at September 30, 2020 (December 31, 2019 - \$28.2 million). The Corporation's operating cash flow for the quarter of \$11.1 million was negatively impacted by the payment of previously delayed income tax instalments and the higher royalty receivable. The dividend paid during the quarter was \$28.8 million, resulting in cash balances decreasing by \$17.7 million during the third 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 &#8211; nil) leaving \$30.0 million available to provide for any capital required by IOC or requirements of the Corporation.

## Outlook

IOC production and sales volumes remain on target despite the additional challenges presented by COVID-19. In its third quarter operational report, Rio Tinto recently reaffirmed its 2020 guidance for IOC's saleable production of CFS and pellets at between 17.9 and 20.4 million tonnes.

IOC continues to optimise its product mix to match market demand. Following signs of some recovery in pellet demand from Europe, IOC increased pellet production in the third quarter by operating five out of six lines in the pellet plant and plans to bring back the sixth line before the end of 2020.

Iron ore prices currently remain at multi-year highs. Since September 30, 2020 the average price for the 65% Fe index has remained above the average during the third quarter of 2020. Global economic activity is generally strong, and iron ore demand in China is at record levels as a result of commodity-intensive stimulus measures. However, steel production outside of China remains down significantly year over year, and earlier constraints on seaborne iron ore as a result of supply disruptions due to COVID-19 are easing and the major producers are expected to deliver strong volumes in the fourth quarter of 2020 which could result in lower iron ore prices. Also, there remain concerns of renewed lockdowns as a result of the ongoing COVID-19 pandemic that could threaten IOC operations and the global economic recovery.

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 nine months of 2020, LIORC paid a total of \$1.25 per share in dividends to shareholders from cash received from its IOC royalty. In addition, LIORC's share of equity earnings in IOC was \$88.3 million. However, despite the positive earnings at IOC, IOC decided not to declare a shareholder dividend in the nine months of 2020, in order to retain a higher cash balance because of the global economic uncertainty created by the COVID-19 pandemic. As a result, should IOC continue to be able to successfully operate throughout the duration of the COVID-19 pandemic, LIORC would expect that this substantial cash balance at IOC will ultimately benefit LIORC in the form of higher future IOC dividends. LIORC continues to maintain a strong balance sheet with no debt and positive working capital (current assets minus current liabilities) of \$29.8 million as at September 30, 2020.

John F. Tuer  
President and Chief Executive Officer  
Toronto, Ontario  
November 5, 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](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 Corp.](#)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at	
	September 30,	December 31,
(in thousands of Canadian dollars)	2020	2019
	(Unaudited)	
<b>Assets</b>		
<b>Current Assets</b>		
Cash and short-term investments	\$ 18,810	\$ 77,859
Amounts receivable	54,521	36,156
Total Current Assets	73,331	114,015
<b>Non-Current Assets</b>		
Iron Ore Company of Canada ("IOC")		
royalty and commission interests	242,893	247,701
Investment in IOC	466,106	381,310
Total Non-Current Assets	708,999	629,011
Total Assets	\$ 782,330	\$ 743,026
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 11,410	\$ 7,939
Dividend payable		

28,800

67,200



Taxes payable	3,336	10,710
Total Current Liabilities	43,546	85,849
Non-Current Liabilities		
Deferred income taxes	131,150	119,840
Total Liabilities	174,696	205,689
Shareholders' Equity		
Share capital	317,708	317,708
Retained earnings	303,241	230,005
Accumulated other comprehensive loss	(13,315)	(10,376)
	607,634	537,337
Total Liabilities and Shareholders' Equity	\$ 782,330	\$ 743,026

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Approved by the Directors,

[Labrador Iron Ore Royalty Corp.](#)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Director

Director

For the Three Months Ended

September 30,

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

2020

(Unaudited)

Revenue	
IOC royalties	\$ 52,354
IOC commissions	458
Interest and other income	48
	52,860
Expenses	
Newfoundland royalty taxes	10,470
Amortization of royalty and commission interests	1,541
Administrative expenses	828
	12,839





Income before equity earnings and income taxes	40,021
Equity earnings in IOC	34,894
Income before income taxes	74,915
Provision for income taxes	
Current	12,408
Deferred	4,779
	17,187
Net income for the period	57,728
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 - \$439; 2019 - \$36)	(2,487)
Comprehensive income for the period	\$ 55,241
Net income per share	\$ 0.90

[Labrador Iron Ore Royalty Corp.](#)

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	For the Nine Months Ended	
	September 30,	
(in thousands of Canadian dollars except for per share information)	2020	2019
	(Unaudited)	
Revenue		
IOC royalties	\$ 146,182	\$ 136,599
IOC commissions	1,374	1,240
Interest and other income	315	870
	147,871	138,700
Expenses		
Newfoundland royalty taxes	29,236	27,318
Amortization of royalty and commission interests	4,808	4,596
Administrative expenses	2,201	2,346
	36,245	34,260
Income before equity earnings and income taxes	111,626	104,440
Equity earnings in IOC	88,254	88,346
Income before income taxes	199,880	192,786
Provision for income taxes		
Current	34,815	32,712
Deferred	11,829	2,156
	46,644	34,868
Net income for the period	153,236	157,918
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 - \$519; 2019 - \$220)	(2,939)	(1,248)
Comprehensive income for the period	\$ 150,297	\$ 156,67
Net income per share	\$ 2.39	\$ 2.47



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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended	
	September 30,	
(in thousands of Canadian dollars)	2020	
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	\$	153,236
Items not affecting cash:		
Equity earnings in IOC		(88,254)
Current income taxes		34,815
Deferred income taxes		11,829
Amortization of royalty and commission interests		4,808
Common share dividend from IOC		-
Change in amounts receivable		(18,365)
Change in accounts payable		3,471
Income taxes paid		(42,189)
Cash flow from operating activities		59,351
Financing		
Dividend paid to shareholders		(118,400)
Cash flow used in financing activities		(118,400)
Decrease in cash, during the period		(59,049)
Cash, beginning of period		77,859
Cash, end of period	\$	18,810

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## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Share capital (Unaudited)	Accumulated other comprehensive		Total
		Retained earnings	loss	
Balance as at December 31, 2018	\$ 317,708	\$ 280,759	\$ (7,616)	\$ 590,841
Adjustment on initial application of IFRS 16		(93)		(93)
Net income for the period	-	157,918	-	157,918
Dividends declared to shareholders	-	(188,800)	-	(188,800)
Share of other comprehensive loss from investment in IOC (net of taxes)	-	-	(1,248)	(1,248)
Balance as at September 30, 2019	\$ 317,708	\$ 249,784	\$ (8,864)	\$ 558,628
Balance as at December 31, 2019	\$ 317,708	\$ 230,005	\$ (10,376)	\$ 537,337
Net income for the period	-	153,236	-	153,236
Dividends declared to shareholders	-	(80,000)	-	(80,000)
Share of other comprehensive loss from investment in IOC (net of taxes)	-	-	(2,939)	(2,939)
Balance as at September 30, 2020	\$ 317,708	\$ 303,241	\$ (13,315)	\$ 607,634

The complete consolidated financial statements for the third quarter ended September 30, 2020, including the notes thereto, are posted on [sedar.com](#) and [labradorironore.com](#).

SOURCE [Labrador Iron Ore Royalty Corp.](#)

## Contact

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