

Labrador Iron Ore Royalty Corporation - 2021 Results Of Operations

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TORONTO, March 11, 2022 - [Labrador Iron Ore Royalty Corp.](#) ("LIORC") (TSX: LIF) announced the results of its operations for the year ended December 31, 2021.

To the Holders of Common Shares of [Labrador Iron Ore Royalty Corp.](#)

The Directors of [Labrador Iron Ore Royalty Corp.](#) ("LIORC" or the "Corporation") present the Annual Report for the year ended December 31, 2021.

84 Years in Labrador West

[Labrador Iron Ore Royalty Corp.](#) has been involved in Labrador West for 84 years. Under a Statutory Agreement with Newfoundland made in 1938, a predecessor company, Labrador Mining and Exploration Limited, was granted extensive exploration and mining rights in Labrador West. LM&E found the iron ore bodies that now constitute the mine operated by Iron Ore Company of Canada. LM&E received grants of leases and licences under the Statutory Agreement. It also received a grant of surface rights to establish the town site that became Labrador City. LM&E sublet the leases to IOC and IOC, with major steel companies as original shareholders, built the infrastructure, mine, railway and port. Under the sublease, LIORC receives a 7% gross overriding royalty on iron ore products produced and sold by IOC.

Financial Performance

In 2021, LIORC's financial results benefited from higher iron ore prices and pellet premiums, partially offset by lower volumes of concentrate for sale ("CFS") sales. Net income per share for the year ended December 31, 2021 was \$5.93 per share, which was a 67% increase over 2020. The adjusted cash flow per share for 2021 was \$5.98 per share, which was 94% higher than in 2020 due to higher royalty revenues and increased dividends from IOC. IOC dividends increased as a result of higher earnings at IOC and a reversal of IOC's decision in 2020 to pay lower shareholder dividends in order to retain a higher cash balance due in part to concerns that the COVID-19 pandemic may adversely affect IOC's operations. In 2021, IOC paid dividends to its shareholders of US\$1,200 and had a year-end net working capital balance of \$16.9 million, compared to dividends of US\$450 and a year-end net working capital balance of \$229.7 million in 2020. LIORC's strong financial results are mainly due to the high iron ore price environment in the first half of the year.

In 2021 global steel production rebounded as the global economy recovered from the COVID-19 lock-downs of 2020. This resulted in increased demand from China and the rest of the world for seaborne iron ore. However, iron ore prices were also volatile throughout the year. The Platts index for 65% Fe, CFR China (the "65% Fe index") which started the year at US\$181 per tonne on January 4, 2021, increased to a high of US\$264 per tonne on May 12, 2021. In the second half of the year iron ore prices decreased rapidly as China, which accounts for over 70% of seaborne iron ore demand, curbed steel production in order to reduce emissions and lower input prices, including iron ore prices. As a result, the 65% Fe index decreased to a low of US\$102 per tonne on November 18, 2021, before recovering to end the year at US\$140 per tonne on December 31, 2021.

IOC sells CFS based on the 65% Fe index. In 2021, the average price for the 65% Fe index was US\$185 per tonne, an increase of 52% year over year. The rebound in the global economy during 2021 also increased the demand for pellets in China and various markets across Europe and North America. The monthly Atlantic Blast Furnace 65% Fe pellet premium index as quoted by Platts (the "pellet premium") averaged US\$60 per tonne in 2021, an increase of 108% from 2020.

Overall, the average price realized by IOC for CFS and pellets, FOB Sept-Îles was approximately C\$246 per

tonne in 2021, an increase of 58% year over year.

Iron Ore Company of Canada Operations

Operations

In order to protect IOC's people and to prevent COVID-19 outbreaks within IOC's operations which could affect IOC's capacity to operate, IOC took measures early in March 2020 to limit the exposure risk at different levels. Throughout 2021, most measures were maintained or adjusted in accordance with public health agencies, including a mandatory vaccination requirement for employees and contractors accessing the Sept-Îles port facilities and the railway operations.

Main actions taken by IOC included limiting the on-site presence of personnel to essential operational activities (remote work for administration and supports) and the reduction of contractors on-site (favouring local rather than out-of-province when possible). In parallel, several protocols were put in place including, (i) strict approval processes for all travel between sites and use of out-of-province contractors, (ii) mandatory on-line health questionnaires linked to gate access, and (iii) COVID-19 screening for all out-of-province contractors and employees. Additionally, the use of masks, more strict hygiene practices, additional janitorial resources and physical distancing measures were maintained.

Total concentrate production in 2021 was 17.9 million tonnes. This was 4% lower than 2020 due mainly to labour and equipment availability issues during the year which impacted feed availability. In particular, IOC experienced lower feed rates from the mine at various times throughout the year, as there were issues with higher cycle times, haul truck availability and the availability of operators, in part due to COVID-19. There were also certain reliability issues in the concentrator, including AG Mill conveyor and feed chute issues and a service overrun of the annual maintenance shutdown in September.

The IOC saleable production (CFS plus pellets) of 16.6 million tonnes in 2021 was 6% lower than 2020, and below the lower end of Rio Tinto's original guidance of 17.9 to 20.4 million tonnes. In 2021, CFS production of 6.6 million tonnes was 19% lower than the same quarter last year, mainly due to lower concentrate production referred to above, as well as the decision by IOC to produce fewer pellets and more CFS in 2020. Pellet production in 2021 of 10.0 million tonnes was 4% higher than 2020 due to IOC's decision to reduce the focus on the production of pellets in 2020.

Third party haulage by the Québec North Shore and Labrador Railway Company, Inc. ("QNS&L") of 12.8 million tonnes in 2021 was 9% higher than in 2020, predominantly due to increased shipments of iron ore from Champion Iron and Tata Steel.

Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 16.8 million tonnes in 2021 was 8% lower than the total sales tonnage in 2020 mainly as a result of the lower production volumes referred to above. Sales volumes in 2021 were also adversely affected by a fire at the Sept-Îles port facility on Reclaimer No. 2 in March. While force majeure was declared, mobile tele-stackers were used during the year on a temporary basis to meet sales commitments as best as possible. Pellet sales were favoured during the year when possible. The Reclaimer No. 2 returned to service in December with the tele-stackers remaining as backup.

Capital Expenditures

IOC has more recently anticipated higher than historical levels of capital expenditures in order to maintain and upgrade existing infrastructure. Capital expenditures for IOC of \$498 million in 2021 were 73% higher than in 2020 and 8% higher than IOC had forecasted for 2021, mainly because of the decision by IOC in 2020 to defer some projects to 2021 and 2022 because the impact of COVID-19 on the market for high grade iron ore was unknown at that time, and because of the difficulty in getting contractors to site due to COVID-19 restrictions and protocols. Capital expenditures in 2021 also included the repair of Reclaimer No. 2 that incurred fire damage.

Outlook

Rio Tinto's 2022 guidance for IOC's saleable production tonnage (CFS plus pellets) is 17.0 million to 18.7 million tonnes. This compares to 16.6 million tonnes of saleable production in 2021. Given current pellet

premiums, it is expected that IOC will continue to focus on maximizing pellet production in 2022.

Mike McCann was appointed as IOC's new President and Chief Executive Officer, effective September 20, 2021. Mike and his management are committed to improving operations at IOC, which includes improved capital asset management. The capital expenditures for 2022 at IOC are forecasted by IOC to be approximately \$606 million. The 2022 forecast includes approximately \$174 million of growth and development projects. Significant development capital expenditure projects scheduled for 2022 include the redesign of the tailings system to increase the life of use and reduce electricity and water usage, and the replacement of the dumper cages and refurbishment of the dumper auxiliary system at Sept-Îles. Significant sustaining capital expenditure projects include the rebuild of induration machine #3 at the pellet plant and the track replacement program on the QNS&L.

In October 2021 Rio Tinto unveiled a longer term decarbonisation strategy that set a new target for its subsidiaries, including IOC, to reduce its Scope 1 and 2 carbon emissions by 50% by 2030, more than tripling its previous target, and is bringing forward its target of 15% reduction in emissions to 2025 (previously 2030). Reduction targets are calculated using 2018 as a baseline. Rio Tinto is also focused on developing technologies such as hydrogen or plasma torches which can use renewable energy to potentially replace fossil fuels for heat and steam. Four plasma torches were ordered in 2021 for a trial at IOC's pellet plant.

Despite the significant volatility in the iron ore market in the second half of 2021, the price outlook for seaborne iron ore remains attractive. Steel production in China is expected to increase from levels in the second half of 2021, when government authorities in China implemented production constraints, as China's fiscal and monetary policy stances shift to stabilizing economic growth in 2022. Iron ore prices have rebounded from the lows in November 2021 and thus far in 2022 (January and February), the average price of the 65% Fe index has been US\$164, which is 12% lower than the average of the 65% Fe index in 2021 and 34% higher than the average in 2020. In addition, thus far in 2022 (January and February) the average pellet premium has averaged US\$67 compared to an average of US\$60 in 2021 and an average of US\$29 in 2020. More recently, the Russia-Ukraine conflict could adversely affect the supply of seaborne iron ore pellets in 2022, as Ferrexpo, the third-largest exporter of pellets, was forced to declare force majeure on some contracts as Ukraine's logistics networks continue to experience disruption.

I would like to take this opportunity to thank our Shareholders for their interest and loyalty and my fellow Directors for their wisdom and support.

Respectfully submitted on behalf of the Directors of the Corporation,

John F. Tuer
President and Chief Executive Officer
March 11, 2022

Corporate Structure

LIORC is a Canadian corporation formed to give effect to the conversion of the Labrador Iron Ore Royalty Income Fund (the "Fund") into a corporation under a plan of arrangement completed on July 1, 2010. LIORC is also the successor by amalgamation of a predecessor of LIORC with Labrador Mining Company Limited, formerly a wholly-owned subsidiary of the Fund, that occurred pursuant to the plan of arrangement.

LIORC, directly and through its wholly-owned subsidiary Hollinger-Hanna, holds a 15.10% equity interest in IOC and receives a 7% gross overriding royalty and a 10 cent per tonne commission on all iron ore products produced, sold and shipped by IOC. Generally, LIORC pays cash dividends from its net income to the maximum extent possible, subject to the maintenance of appropriate levels of working capital. The common shareholders receive quarterly dividends on the common shares on the 25th day of the month following the end of each quarter.

Seven Directors are responsible for the governance of the Corporation and also serve as directors of Hollinger-Hanna. The Directors, in addition to managing the affairs of the Corporation and Hollinger-Hanna, oversee the Corporation's interests in IOC. The Audit, Compensation and Nominating Committees are composed of four independent Directors.

Taxation

The Corporation is a taxable corporation. Dividend income received from IOC and Hollinger-Hanna is received tax free while royalty income is subject to income tax and Newfoundland and Labrador royalty tax. Expenses of the Corporation include administrative expenses. Hollinger-Hanna is a taxable corporation.

Income Taxes

Dividends to a shareholder that are paid within a particular year are to be included in the calculation of the shareholder's taxable income for that year. All dividends paid in 2021 were "eligible dividends" under the Income Tax Act.

Review of Operations

Iron Ore Company of Canada

The income of the Corporation is entirely dependent on IOC as the only assets of the Corporation and its subsidiary are related to IOC and its operations. IOC is one of Canada's largest iron ore producers, operating a mine, concentrator and pellet plant at Labrador City, Newfoundland and Labrador, and is among the top five producers of seaborne iron ore pellets in the world. It has been producing and processing iron ore concentrate and pellets since 1954. IOC is strategically situated to serve markets throughout the world from its year-round port facilities at Sept-Îles, Québec.

IOC has ore reserves sufficient for approximately 23 years at current production rates with additional resources of a greater magnitude. It currently has the nominal capacity to extract around 55 million tonnes of crude ore annually. The crude ore is processed into iron ore concentrate and then either sold or converted into many different qualities of iron ore pellets to meet its customers' needs. The iron ore concentrate and pellets are transported to IOC's port facilities at Sept-Îles, Québec via its wholly-owned QNS&L, a 418 kilometer rail line which links the mine and the port. From there, the products are shipped to markets throughout North America, Europe, the Middle East and the Asia-Pacific region.

IOC's 2021 sales totaled 17.0 million tonnes, comprised of 10.0 million tonnes of iron ore pellets and 7.0 million tonnes of iron ore concentrate. Production in 2021 was 10.0 million tonnes of pellets and 6.6 million tonnes of CFS. IOC generated ore sales revenues (excluding third party ore sales) of \$3,922 million in 2021 (2020 - \$2,915 million).

Selected IOC Financial Information

	2021	2020	2019	2018	2017
(\$ in millions)					
Operating Revenues ⁽¹⁾	4,147	3,099	2,719	1,930	2,315
Cash Flow from Operating Activities	1,955	837	1,302	578	923
Net Income	1,551	842	749	383	499
Capital Expenditures ⁽²⁾	498	288	294	205	265

(1) 2021 Ore sales revenue is presented on a net basis (net of related freight costs) to align with IFRS financial statements presentation.

(2) Reported on an incurred basis

IOC Royalty

The Corporation holds certain leases and licenses covering approximately 18,200 hectares of land near Labrador City. IOC has subleased certain portions of these lands from which it currently mines iron ore. In return, IOC pays the Corporation a 7% gross overriding royalty on all sales of iron ore products produced from these lands. A 20% tax on the royalty is payable to the Government of Newfoundland and Labrador. For the five years prior to 2021, the average royalty net of the 20% tax had been \$123.8 million per year and in 2021 the net royalty was \$222.2 million (2020 - \$160.1 million).

Because the royalty is "off-the-top", it is not dependent on the profitability of IOC. However, it is affected by changes in sales volumes, iron ore prices and, because iron ore prices are denominated in US dollars, the United States - Canadian dollar exchange rate.

IOC Equity

In addition to the royalty interest, the Corporation directly and through its wholly owned subsidiary, Hollinger-Hanna, owns a 15.10% equity interest in IOC. The other shareholders of IOC are Rio Tinto Limited with 58.72% and Mitsubishi Corporation with 26.18%.

IOC Commissions

Hollinger-Hanna has the right to receive a payment of 10 cents per tonne on the products produced and sold by IOC. Pursuant to an agreement, IOC is obligated to make the payment to Hollinger-Hanna so long as Hollinger-Hanna is in existence and solvent. In 2021, Hollinger-Hanna received a total of \$1.7 million in commissions from IOC (2020 - \$1.8 million).

Quarterly Dividends

Dividends of \$6.00 per share were declared in 2021 (2020 - dividends of \$3.05 per share including special dividends of \$0.50). These dividends were allocated as follows:

Period Ended	Record Date	Payment Date	Dividend Income per Share	Total Dividend
				(\$ Million)
Mar. 31, 2021	Mar. 31, 2021	Apr. 26, 2021	\$1.00	\$64.0
Jun. 30, 2021	Jun. 30, 2021	Jul. 26, 2021	1.75	112.0
Sep. 30, 2021	Sep. 30, 2021	Oct. 26, 2021	2.10	134.4
Dec. 31, 2021	Dec. 31, 2021	Jan. 26, 2022	1.15	73.6
Dividend to Shareholders - 2021			\$6.00	\$384.0
Mar. 31, 2020	Mar. 31, 2020	Apr. 25, 2020	\$0.25	\$16.0
Special Dividend	Mar. 31, 2020	Apr. 25, 2020	0.10	6.4
Jun. 30, 2020	Jun. 30, 2020	Jul. 25, 2020	0.25	16.0
Special Dividend	Jun. 30, 2020	Jul. 25, 2020	0.20	12.8
Sep. 30, 2020	Sep. 30, 2020	Oct. 25, 2020	0.25	16.0
Special Dividend	Sep. 30, 2020	Oct. 25, 2020	0.20	12.8
Dec. 31, 2020	Dec. 31, 2020	Jan. 26, 2021	1.80	115.2
Dividend to Shareholders - 2020			\$3.05	\$195.2

The quarterly dividends are payable to all shareholders of record on the last day of each calendar quarter and are paid on or after the 26th day of the following month.

Management's Discussion and Analysis

The following is a discussion of the consolidated financial condition and results of operations of the Corporation for the years ended December 31, 2021 and 2020. This discussion should be read in conjunction with the consolidated financial statements of the Corporation and notes thereto for the years ended December 31, 2021 and 2020. This information is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all amounts are shown in Canadian dollars unless otherwise indicated.

Overview of the Business

The Corporation is a Canadian corporation resulting from the conversion of the Fund into a corporation under a plan of arrangement completed on July 1, 2010. LIORC is also the successor by amalgamation of a predecessor of LIORC with Labrador Mining Company Limited, formerly a wholly-owned subsidiary of the Fund, that occurred pursuant to the plan of arrangement.

The Corporation is dependent on the operations of IOC. IOC's earnings and cash flows are affected by the volume and mix of iron ore products produced and sold, costs of production and the prices received. Iron ore demand and prices fluctuate and are affected by numerous factors which include demand for steel and steel products, the relative exchange rate of the US dollar, global and regional demand and production, political and economic conditions and production costs in major producing areas.

Financial Highlights

Financial and Operating Highlights

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
(\$ in millions except per share information)				
Revenue	60.1	54.4	279.7	202.3
Equity earnings from IOC	45.9	37.8	229.6	126.0
Net income	78.2	73.9	379.8	227.2
Net income per share	\$ 1.22	\$ 1.16	\$ 5.93	\$ 3.55
Dividend(s) from IOC	48.5	86.6	227.8	86.6
Cash flow from operations	106.6	116.0	402.4	175.4
Cash flow from operations per share ⁽¹⁾	\$ 1.67	\$ 1.81	\$ 6.29	\$ 2.74
Adjusted cash flow ⁽¹⁾	81.6	116.4	382.6	198.0
Adjusted cash flow per share ⁽¹⁾	\$ 1.27	\$ 1.82	\$ 5.98	\$ 3.09
Dividends declared per share	\$ 1.15	\$ 1.80	\$ 6.00	\$ 3.05

⁽¹⁾ This is a non-IFRS financial measure and does not have a standard meaning under IFRS.

Please refer to Standardized Cash Flow and Adjusted Cash Flow section in the MD&A.

The higher revenue, net income and equity earnings achieved in 2021 as compared to 2020 were mainly due to (i) higher iron ore concentrate prices and pellet premiums as global steel production rebounded as the global economy recovered from the COVID-19 lock-downs of 2020, (ii) partially offset by lower sales of CFS. Sales were lower in 2021 than in 2020 mainly as a result of the lower production volumes due to labour and equipment availability issues during the year which impacted feed availability, as well as a fire at the Sept-Îles port facility on Reclaimer No. 2 in March.

Capital expenditures for IOC in 2021 were \$498 million in total as compared to \$288 million in 2020. At the beginning of 2021 IOC forecasted that capital expenditures for 2021 would be approximately \$460 million. Capital expenditures in 2021 were higher than 2020, mainly because of the decision by IOC in 2020 to defer some projects to 2021 and 2022 because of the impact of COVID-19 on the market for high grade iron ore was unknown at that time, and because of the difficulty in getting contractors to site due to COVID-19 restrictions and protocols. Capital expenditures in 2021 also included the repair of Reclaimer No. 2 that incurred fire damage.

Fourth quarter 2021 sales (pellets and CFS) were higher year-over-year by 2% despite lower saleable production due to timing differences in the sales process. Royalty income was \$59.5 million for the quarter as compared to \$53.9 million for the same period in 2020. Fourth quarter 2021 cash flow from operations was \$106.6 million or \$1.67 per share compared to 2020 of \$116.0 million or \$1.81 per share. LIORC received an IOC dividend in the fourth quarter of 2021 in the amount of \$48.5 million or \$0.76 per share (2020 - \$86.6 million or \$1.35 per share). Equity earnings from IOC amounted to \$45.9 million or \$0.72 per share in the fourth quarter of 2021 compared to \$37.8 million or \$0.59 per share for the same period in 2020.

Operating Highlights

	Three Months Ended Year Ended			
	December 31,		December 31,	
IOC Operations	2021	2020	2021	2020
	(in millions of tonnes)			
Sales ⁽¹⁾				
Pellets	2.89	2.56	9.97	10.17
Concentrate for sale ("CFS") ⁽²⁾	1.55	1.81	6.87	8.16
Total ⁽³⁾	4.44	4.37	16.84	18.33
Production				
Concentrate produced	4.77	4.88	17.89	18.66
Saleable production				
Pellets	2.54	2.46	9.99	9.58
CFS	1.72	2.21	6.58	8.14
Total ⁽³⁾	4.25	4.67	16.57	17.72
Average index prices per tonne (US\$)				
65% Fe index ⁽⁴⁾	\$ 129	\$ 146	\$ 185	\$ 122
62% Fe index ⁽⁵⁾	\$ 110	\$ 134	\$ 159	\$ 109
Pellet premium ⁽⁶⁾	\$ 56	\$ 28	\$ 60	\$ 29

⁽¹⁾ For calculating the royalty to LIORC.

⁽²⁾ Excludes third party ore sales.

⁽³⁾ Totals may not add up due to rounding.

⁽⁴⁾ The Platts index for 65% Fe, CFR China.

⁽⁵⁾ The Platts index for 62% Fe, CFR China.

⁽⁶⁾ The Platts Atlantic Blast Furnace 65% Fe pellet premium index.

IOC sells CFS based on the 65% Fe index. The average price for the 65% Fe index increased 52% to US\$185 per tonne in 2021 compared to the average price in 2020 of US\$122 per tonne. In 2021 global steel production rebounded as the global economy recovered from the Covid-19 lock-downs of 2020. This resulted in increased demand from China and the rest of the world for seaborne iron ore. IOC also benefited from the fact that the premium for the 65% Fe index compared to the 62% Fe index, increased to US\$26 per tonne in 2021 as compared to US\$13 per tonne in 2020. The 62% Fe index averaged US\$159 per tonne in 2021 compared to US\$109 per tonne in 2020. The rebound in the global economy during 2021 also increased the

demand for pellets in China and various markets across Europe and North America. The pellet premium averaged US\$60 per tonne in 2021, an increase of 108% from 2020.

The average price realized by IOC for CFS and pellets, FOB Sept-Îles, was approximately C\$246 per tonne in 2021 compared to C\$155 per tonne in 2020. The increase in the average realized price FOB Sept-Îles in 2021 was a result of higher CFS prices, and higher pellet premiums.

Liquidity and Capital Resources

The Corporation had \$82.9 million (2020 - \$106.1 million) in cash as at December 31, 2021 with total current assets of \$132.6 million (2020 - \$164.4 million). The Corporation had working capital of \$29.7 million (2020 - \$31.0 million). The Corporation's operating cash flow was \$402.4 million (2020 - \$175.4 million) and dividends paid during the year were \$425.6 million, resulting in cash balances decreasing by \$23.2 million during 2021.

Cash balances consist of deposits in Canadian dollars and US dollars with Canadian chartered banks. Accounts 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, 2024 with provision for annual one-year extensions. No amount is currently drawn under this facility leaving \$30 million available to provide for any capital required by IOC or requirements of the Corporation.

Selected Consolidated Financial Information

The following table sets out financial data from a Shareholder's perspective for the three years ended December 31, 2021, 2020 and 2019.

Description	Years Ended December 31		
	2021	2020	2019
(in millions except per share information)			
Revenue	\$ 279.7	\$ 202.3	\$ 178.3
Net Income	\$ 379.8	\$ 227.2	\$ 205.3
Net Income per Share	\$ 5.93	\$ 3.55	\$ 3.21
Cash Flow from Operations	\$ 402.4 ⁽¹⁾	\$ 175.4 ⁽²⁾	\$ 224.6 ⁽³⁾
Cash Flow from Operations per Share	\$ 6.29 ⁽¹⁾	\$ 2.74 ⁽²⁾	\$ 3.51 ⁽³⁾
Total Assets	\$ 789.3	\$ 823.2	\$ 743.0
Dividends Declared per Share	\$ 6.00	\$ 3.05	\$ 4.00
Number of Common Shares outstanding	64.0	64.0	64.0

(1) Includes IOC dividends totaling \$227.8 million or 3.56 per Share.

(2) Includes IOC dividends totaling \$86.6 million or 1.35 per Share.

(3) Includes IOC dividends totaling \$110.1 million or \$1.72 per Share.

The following table sets out quarterly revenue, net income, cash flow and dividend data for 2021 and 2020. Due to seasonal weather patterns the first and fourth quarters generally have lower production and sales. Royalty revenues and equity earnings in IOC track iron ore spot prices, which can be very volatile. Dividends, included in cash flow, are declared and paid by IOC irregularly according to the availability of cash.

	Revenue	Net	Net	Cash	Cash Flow	Adjusted	Dividends
		Income	Income	Flow	from	Cash	Declared
			per		Operations	Flow	per Share
			Share		per Share	per Share	(1)

(in millions except per share information)

2021

First Quarter \$ 65.7 \$ 86.6 \$ 1.35 \$ 42.7⁽²⁾ \$ 0.67⁽²⁾ \$ 0.87⁽²⁾ \$ 1.00

Second Quarter \$ 79.2 \$ 110.2 \$ 1.72 \$ 115.9⁽³⁾ \$ 1.81⁽³⁾ \$ 1.85⁽³⁾ \$ 1.75

Third Quarter \$ 74.7 \$ 104.8 \$ 1.64 \$ 137.3⁽⁴⁾ \$ 2.15⁽⁴⁾ \$ 1.99⁽⁴⁾ \$ 2.10

Fourth Quarter \$ 60.1 \$ 78.2 \$ 1.22 \$ 106.6⁽⁵⁾ \$ 1.67⁽⁵⁾ \$ 1.27⁽⁵⁾ \$ 1.15

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

Third Quarter \$ 52.9 \$ 57.7 \$ 0.90 \$ 11.1 \$ 0.17 \$ 0.46 \$ 0.45

Fourth Quarter \$ 54.4 \$ 73.9 \$ 1.16 \$ 116.0⁽⁶⁾ \$ 1.81⁽⁶⁾ \$ 1.82⁽⁶⁾ \$ 1.80

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

(2) Includes \$19.0 million IOC dividend.

(3) Includes \$74.4 million IOC dividend.

(4) Includes \$85.8 million IOC dividend.

(5) Includes \$48.5 million IOC dividend.

(6) Includes \$86.6 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 \$6.29 for 2021 (2020 - \$2.74).

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 IFRS. The Directors believe that adjusted cash flow is a useful analytical measure as it better reflects cash available for distributions to Shareholders.

The following reconciles standardized cash flow from operating activities to adjusted cash flow (in '000's).

	2021	2020
Standardized cash flow from operating activities	\$ 402,422	\$ 175,432
Changes in amounts receivable, accounts and interest payable and income taxes recoverable and payable	(19,842)	22,605
Adjusted cash flow	\$ 382,580	\$ 198,037
Adjusted cash flow per share	\$ 5.98	\$ 3.09

Disclosure Controls and Internal Control over Financial Reporting

The President and CEO and the CFO are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Corporation. Two directors serve as directors of IOC and IOC provides monthly reports on its operations to them. The Corporation also relies on financial information provided by IOC, including its audited financial statements, and other material information provided to the President and CEO and the CFO by officers of IOC. IOC is a private corporation, and its financial statements are not publicly available.

The Directors are informed of all material information relating to the Corporation and its subsidiary by the officers of the Corporation on a timely basis and approve all core disclosure documents including the Management Information Circular, the annual and interim financial statements and related Management's Discussion and Analyses, the Annual Information Form, any prospectuses and all press releases. An evaluation of the design and operating effectiveness of the Corporation's disclosure controls and procedures was conducted under the supervision of the CEO and CFO. Based on their evaluation, they concluded that the Corporation's disclosure controls and procedures were effective in ensuring that all material information relating to the Corporation was accumulated and communicated for the year ended December 31, 2021.

The President and CEO and the CFO have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. An evaluation of the design and operating effectiveness of the Corporation's internal control over financial reporting was conducted under the supervision of the CEO and CFO. Based on their evaluation, they concluded that the Corporation's internal control over financial reporting was effective and that there were no material weaknesses therein for the year ended December 31, 2021.

The preparation of financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Corporation's reported financial results. Estimates are deemed critical when the Corporation's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods.

No material change in the Corporation's internal control over financial reporting occurred during the year ended December 31, 2021.

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; the performance of IOC; market conditions in the steel industry; fluctuations in the value of the Canadian and U.S. Dollar; mining risks that cause a disruption in operations and availability of insurance; disruption in IOC's operations caused by natural disasters, severe weather conditions and public health crises, including the COVID-19 outbreak; failure of information systems or damage from cyber security attacks; adverse changes in domestic and global economic and political conditions; changes in government regulation and taxation; national, provincial and international laws, regulations regarding climate change that further limit the emissions of greenhouse gases or increase the costs of operations for IOC or its customers; changes affecting IOC's customers; competition from other iron ore producers; renewal of mining licences and leases; relationships with indigenous groups; litigation; and uncertainty in the estimates of reserves and resources. A discussion of these factors is contained in LIORC's annual information form dated March 11, 2022 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.

Additional information

Additional information relating to the Corporation, including the Annual Information Form, is on SEDAR at www.sedar.com. Additional information is also available on the Corporation's website at www.labradorironore.com.

John F. Tuer
President and Chief Executive Officer
Toronto, Ontario
March 11, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at	
	December 31,	
(in thousands of Canadian dollars)	2021	2020
Assets		
Current Assets		
Cash and short-term investments	\$ 82,913	\$ 106,091
Amounts receivable	49,681	58,336
Total Current Assets	132,594	164,427
Non-Current Assets		
Iron Ore Company of Canada ("IOC")		

royalty and commission interests	235,341	241,511
Investment in IOC	421,376	417,284
Total Non-Current Assets	656,717	658,795
Total Assets	\$ 789,311	\$ 823,222
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 10,786	\$ 12,533
Dividend payable	73,600	115,200
Taxes payable	18,625	5,691
Total Current Liabilities	103,011	133,424
Non-Current Liabilities		
Deferred income taxes	122,240	123,430
Total Liabilities	225,251	256,854
Shareholders' Equity		
Share capital	317,708	317,708
Retained earnings	257,772	262,000
Accumulated other comprehensive loss	(11,420)	(13,340)
	564,060	566,368
Total Liabilities and Shareholders' Equity	\$ 789,311	\$ 823,222

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Approved by the Directors,
[Labrador Iron Ore Royalty Corp.](#)

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

John F. Tuer

Patricia M. Volker

Director

Director

For the Year Ended

December 31,

(in thousands of Canadian dollars except for per share information) 2021 2020

Revenue

IOC royalties	\$ 277,809	\$ 200,125
IOC commissions	1,657	1,804
Interest and other income	259	365
	279,725	202,294
Expenses		
Newfoundland royalty taxes	55,562	40,025
Amortization of royalty and commission interests	6,170	6,190
Administrative expenses	3,002	3,126
	64,734	49,341
Income before equity earnings and income taxes	214,991	152,953
Equity earnings in IOC	229,590	126,024
Income before income taxes	444,581	278,977
Provision for income taxes		
Current	66,338	47,669
Deferred	(1,529)	4,113
	64,809	51,782
Net income for the year	379,772	227,195
Other comprehensive income (loss)		
Share of other comprehensive income (loss) of IOC that will not be reclassified subsequently to profit or loss (net of income taxes (recovery) of 2021 - \$339; 2020 - (\$523))	1,920	(2,964)
Comprehensive income for the year	\$ 381,692	\$ 224,231
Net income per share	\$ 5.93	\$ 3.55

[Labrador Iron Ore Royalty Corp.](#)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended	
	December 31,	
(in thousands of Canadian dollars)	2021	2020
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the year	\$ 379,772	\$ 227,195
Items not affecting cash:		
Equity earnings in IOC	(229,590)	(126,024)
Current income taxes	66,338	47,669
Deferred income taxes	(1,529)	4,113
Amortization of royalty and commission interests	6,170	6,190
Common share dividend from IOC	227,757	86,563
Change in amounts receivable	8,655	(22,180)
Change in accounts payable	(1,747)	4,594
Income taxes paid	(53,404)	(52,688)
Cash flow from operating activities	402,422	175,432
Financing		
Dividend paid to shareholders	(425,600)	(147,200)
Cash flow used in financing activities	(425,600)	(147,200)
(Decrease) increase in cash, during the year	(23,178)	28,232
Cash, beginning of year	106,091	77,859
Cash, end of year	\$ 82,913	\$ 106,091

[Labrador Iron Ore Royalty Corp.](#)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share	Retained	Accumulated other comprehensive	
(in thousands of Canadian dollars)	capital	earnings	loss	Total
Balance as at December 31, 2019	\$ 317,708	\$ 230,005	\$ (10,376)	\$ 537,337
Net income for the year	-	227,195	-	227,195
Dividends declared to shareholders	-	(195,200)	-	(195,200)
Share of other comprehensive loss from investment in IOC (net of taxes)	-	-	(2,964)	(2,964)
Balance as at December 31, 2020	\$ 317,708	\$ 262,000	\$ (13,340)	\$ 566,368
Balance as at December 31, 2020	\$ 317,708	\$ 262,000	\$ (13,340)	\$ 566,368
Net income for the year	-	379,772	-	379,772
Dividends declared to shareholders	-	(384,000)	-	(384,000)
Share of other comprehensive income from investment in IOC (net of taxes)	-	-	1,920	1,920
Balance as at December 31, 2021	\$ 317,708	\$ 257,772	\$ (11,420)	\$ 564,060

The complete consolidated financial statements for the year ended December 31, 2021, including the notes thereto, are posted on [sedar.com](#) and [labradorironore.com](#).

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

Contact

John F. Tuer, President & Chief Executive Officer, (416) 362-0066

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