TORONTO, March 2, 2017 /CNW/ - Labrador Iron Ore Royalty Corp. ("LIORC") (TSX: LIF) announced the results of its operations for the year ended December 31, 2016.

To the Holders of Common Shares of Labrador Iron Ore Royalty Corp.

Financial Performance

The Shareholders' cash flow from operations for the year ended December 31, 2016 was $63.5 million or $0.99 per share as compared to $59.9 million or $0.94 per share for 2015.

The Shareholders' consolidated net income for the year ended December 31, 2016 was $78.2 million or $1.22 per share compared to $54.7 million or $0.85 per share in 2015. Equity earnings from Iron Ore Company of Canada ("IOC") amounted to $24.7 million compared to $2.4 million in 2015. LIORC received an IOC dividend in the fourth quarter of 2016 in the amount of $15.1 million or $0.23 per share. IOC's 2016 iron ore sales for calculating the royalty to LIORC totaled 18.2 million tonnes compared to 17.9 million tonnes in 2015. Royalty revenue increased to $113.1 million as compared to $99.7 million in 2015.

The cash flow from operations, equity earnings and net income for the year were higher than last year mainly due to improved prices for concentrate, particularly in the fourth quarter of 2016, plus higher pellet sales tonnages. Iron ore prices in 2016 were higher than most forecasts had predicted, due to Chinese government stimulus, a shortage of coking coal increasing the demand for higher grade iron ore, and a decline in Chinese domestic production.

As reported by Bloomberg, the price of 62% Fe concentrate CFR China averaged US$58 per tonne in 2016 compared to US$56 per tonne in 2015. The pellet premium, also as reported by Bloomberg, averaged US$26 per tonne in 2016, approximately the same as in 2015. While the reported annual average prices were not much different year-over-year, the prices received by IOC improved in 2016 compared to 2015. With improving pellet premiums in 2016, IOC focused on increased pellet production, and the pellet sales tonnage in 2016 was 6% higher than in 2015. Concentrate for sale ("CFS") tonnages in 2016 were lower than in 2015 by 3% as IOC maximized pellet sales when possible.

IOC Developments

Total concentrate production of 19.2 million tonnes in 2016 was 3% higher as compared to 2015 of 18.7 million tonnes, but below the 21 million tonne objective for 2016. The causes for the shortfall from plan were largely in the mine and the parallel ore delivery system. Early in 2016 the weight yield achieved was lower than planned, predominantly due to a small pit which is now mostly depleted. In November 2016 an apron feeder at the gyratory crusher providing feed to the parallel ore delivery system failed resulting in a 15-day disruption. The concentrator and pellet plant performed well in 2016. The overall employee productivity was slightly better in 2016 than 2015.

The cost per tonne of concentrate produced declined by 2% in 2016. The objective of a concentrate unit cash cost of US$30 by late 2016 was not achieved largely due to a stronger Canadian dollar than forecast and lower concentrate production than planned. None-the-less, during the year a number of production records were set, including the total tonnes of concentrate produced. With the establishment of a pilot operations center and the important union agreement for a temporary workforce, IOC continues efforts to improve safety, and to increase production and lower unit costs.

Capital expenditure for IOC in 2016 was $99 million as compared to $143 million in 2015. The 2016 capital was almost all sustaining capital. The capital program for 2016 was set when the price outlook was poor and the expansion program had been largely completed. Therefore the capital budget was set for minimal sustaining capital.

Outlook

Most forecasts for seaborne iron ore, 62% Fe, CFR China, are for the price to decline and average approximately US$55 per tonne in 2017, based on anticipated increased supply, notably from Vale's S11D mine in Brazil and Roy Hill's mine in Australia. It is also reportedly feasible that the Samarco operation in Brazil could re-open in late 2017 or in 2018, which would likely adversely affect pellet premiums.

Rio Tinto has released guidance for 2017 of between 11.4 million to 12.4 million tonnes for their 58.7% share of saleable production – pellets and concentrates for sale, from IOC. This would result in 19.4 million to 21.1 million tonnes of saleable production on a 100% basis. With the strong pellet premiums at present, IOC will continue to prioritize pellet production in 2017. The IOC objective is 22 million tonnes of concentrate production with sales of approximately 11 million tonnes of pellets and 9.5 million tonnes of CFS in 2017.

The capital expenditures for 2017 will be substantially higher than in 2016, possibly up to $245 million, with the refurbishment of induration machines in two pellet plant lines in early 2017, plus the development of the Wabush 3 Pit. The six year collective agreements with the United Steelworkers of America union employees expire in March, 2018.

The price of iron ore in early 2017 has again exceeded forecasts. If the improved prices and premiums continue in 2017, IOC achieves the production guidance, and the Canadian dollar does not appreciate materially against the US dollar, the 2017 outlook for LIORC will be significantly improved cash flows.

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,

William H. McNeil
President and Chief Executive Officer
March 2, 2017

Corporate Structure

LIORC is a Canadian corporation resulting from the conversion of the Labrador Iron Ore Royalty Income Fund under an Arrangement effective on July 1, 2010. LIORC is also the successor by amalgamation under the Arrangement of Labrador Mining Company Limited, formerly a wholly-owned subsidiary of the Fund.

LIORC, directly and through its wholly-owned subsidiary Hollinger-Hanna Limited, 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. Two of the seven Directors sit on the board of IOC and the four independent Directors serve as members of the Audit, Nominating and Compensation Committees. Scotia Managed Companies Administration Inc., pursuant to an administration agreement, acts as the administrator of the Corporation and Hollinger-Hanna.

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 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 2016 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 the markets of the Great Lakes and the balance of the world from its year-round port facilities at Sept-Îles, Quebec.

IOC has ore reserves sufficient for approximately 26 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, Quebec via its wholly-owned Quebec North Shore and Labrador Railway, 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 2016 sales totaled 18.3 million tonnes, comprised of 10.0 million tonnes of iron ore pellets and 8.3 million tonnes of iron ore concentrate. Production in 2016 was 9.8 million tonnes of pellets and 8.4 million tonnes of CFS. IOC generated ore sales revenues (excluding third party ore sales) of $1,620 million in 2016 (2015 - $1,387 million).

Selected IOC Financial Information

	2016	2015	2014	2013	2012
($ in thousands)					
Operating Revenues	1,675,635	1,494,726	1,794,380	2,193,836	1,963,444
Cash flow from operating activities	456,361	267,136	454,597	780,976	505,319
Net income	169,531	21,195	273,282	549,010	393,437
Capital expenditures	98,551	142,537	187,042	275,445	757,323

IOC Royalty

The Corporation holds certain leases and licenses covering approximately 18,200 hectares of land near Labrador City. IOC has leased 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 2016, the average royalty net of the 20% tax had been $101.8 million per year and in 2016 the net royalty was $90.5 million (2015 - $79.8 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 Ltd. 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 2016, Hollinger-Hanna received a total of $1.8 million in commissions from IOC (2015 - $1.8 million).

Quarterly Dividends

Dividends of $1.00 per share were declared in 2016 (2015 – dividends of $1.00 per share). These dividends were allocated as follows:

Period Ended	Payment Date	Dividend Income per Share	Total Dividend ($ Million)
Mar. 31, 2016	Apr. 25, 2016	$0.25	$16.0
Jun. 30, 2016	Jul. 25, 2016	0.25	16.0
Sep. 30, 2016	Oct. 25, 2016	0.25	16.0
Dec. 31, 2016	Jan. 25, 2017	0.25	16.0
Dividend to Shareholders - 2016		$1.00	$64.0
Mar. 31, 2015	Apr. 25, 2015	$0.25	$16.0
Jun. 30, 2015	Jul. 25, 2015	0.25	16.0
Sep. 30, 2015	Oct. 25, 2015	0.25	16.0
Dec. 31, 2015	Jan. 25, 2016	0.25	16.0
Dividend to Shareholders - 2015		$1.00	$64.0

The quarterly dividends are payable to all shareholders of record on the last day of each calendar quarter and are paid on the 25th 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, 2016 and 2015. This discussion should be read in conjunction with the consolidated financial statements of the Corporation and notes thereto for the years ended December 31, 2016 and 2015. 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.

The Corporation is a Canadian corporation resulting from the conversion of the Fund under an Arrangement effective on July 1, 2010. LIORC is also the successor by amalgamation under the Arrangement of Labrador Mining Company Limited, formerly a wholly-owned subsidiary of the Fund.

General

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.

Liquidity and Capital Resources

The Corporation had $23.9 million (2015 - $24.5 million) in cash as at December 31, 2016 with total current assets of $62.9 million (2015 - $45.2 million). The Corporation has working capital of $38.8 million (2015 - $24.8 million). The Corporation's cash flow from operations was $63.5 million (2015 - $59.9 million) and dividends paid during the year were $64.0 million, resulting in cash balances declining $0.5 million during 2016.

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 Company does not normally attempt to hedge this short term foreign currency exposure.

Operating cash flow of the Corporation is sourced entirely from IOC through the Corporation's 7% royalty, 10 cents commission per tonne and dividends from its 15.10% equity interest in IOC. The Corporation intends to pay cash dividends of the net income derived from IOC to the maximum extent possible, subject to the maintenance of appropriate levels of working capital.

The Corporation has a $50 million revolving credit facility with a term ending September 18, 2019 with provision for annual one-year extensions. No amount is currently drawn under this facility leaving $50.0 million available to provide for any capital required by IOC or requirements of the Corporation.

Operating Results

The following table summarizes the Corporation's 2016 operating results as compared to 2015 results.

Revenue	2016	2015
IOC royalties (net of 20% Newfoundland royalty tax)	$90,464,867	$79,751,617
IOC commissions	1,793,469	1,759,426
Other	232,739	249,565
	92,491,075	81,760,608
Expenses		
Administrative expenses	2,743,124	2,730,867
Income taxes expense – current	26,821,210	22,809,371
	29,564,334	25,540,238
Net Income before undernoted items	62,926,741	56,220,370
Non cash revenue (expense)		
Equity earnings in IOC	24,722,536	2,359,556
Deferred income taxes	(4,343,000)	994,000
Amortization	(5,133,615)	(4,915,613)
	15,245,921	(1,562,057)
Net income for the year	78,172,662	54,658,313
Other comprehensive gain	699,000	596,000
Comprehensive income for the year	$78,871,662	$55,254,313

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

	First Quarter 2016	Second Quarter 2016	Third Quarter 2016	Fourth Quarter 2016	Total Year 2016	Total Year 2015
Pellets	2.11	2.43	2.44	3.08	10.06	9.47
Concentrates(1)	2.05	2.15	2.18	1.79	8.17	8.41
Total	4.16	4.58	4.62	4.87	18.23	17.88

(1) Excludes third party ore sales.

IOC's 2016 iron ore sales for calculating the royalty to LIORC, totaled 18.2 million tonnes compared to 17.9 million tonnes in 2015. Royalty revenue increased to $113.1 million as compared to $99.7 million in 2015. Equity earnings from IOC amounted to $24.7 million compared to $2.4 million in 2015.The higher royalty revenue and equity earnings than last year were mainly due to improved prices for concentrate, particularly in the fourth quarter of 2016, plus higher pellet sales tonnages. Iron ore prices in 2016 were higher than most forecasts had predicted, with Chinese government stimulus, a shortage of coking coal increasing the demand for higher grade iron ore, and a decline in Chinese domestic production.

As reported by Bloomberg, the price of 62% Fe concentrate CFR China averaged US$58 per tonne in 2016 compared to US$56 per tonne in 2015. The pellet premium, also as reported by Bloomberg, averaged US$26 per tonne in 2016, approximately the same as in 2015. While the reported annual average prices were not much different year-over-year, the prices received by IOC improved in 2016 compared to 2015. With improving pellet premiums in 2016, IOC focused on increased pellet production, and the pellet sales tonnage in 2016 was 6% higher than in 2015. CFS tonnages in 2016 were lower than in 2015 by 3% as IOC maximized pellet sales when possible.

Capital expenditure by IOC in 2016 was $99 million as compared to $143 million in 2015. The 2016 capital was almost all sustaining capital. The capital program for 2016 was set when the price outlook was poor and the expansion program has been largely completed. Therefore the capital budget was set for minimal sustaining capital.

The Shareholders' consolidated net income for the year ended December 31, 2016 was $78.2 million or $1.22 per share compared to $54.7 million or $0.85 per share in 2015. Equity earnings from IOC amounted to $24.7 million compared to $2.4 million in 2015. The main cause of IOC's higher earnings for 2016 as compared to 2015 was the improved iron ore prices and premiums.

Fourth quarter 2016 sales of 4.9 million tonnes were higher than the 4.7 million tonnes last year but the sales prices of CFS and pellets were significantly improved, resulting in royalty income of $38.0 million for the quarter as compared to $21.5 million for the same period in 2015. Fourth quarter 2016 cash flow from operations was $28.3 million or $0.44 per share compared to 2015 of $20.0 million or $0.31 per share. LIORC received an IOC dividend in the fourth quarter of 2016 in the amount of $15.1 million or $0.23 per share. IOC recorded net income of $121.1 million (2015 – loss of $6.5 million) in the fourth quarter largely as a result of substantially higher iron ore prices.

Selected Consolidated Financial Information

The following table sets out financial data from a Shareholder's perspective for the three years ended December 31, 2016, 2015 and 2014.

Description	Years Ended December 31 2016	2015	2014
	(in millions except per Share information)		
Revenue	$115.1	$101.7	$117.5
Net Income	$78.2	$54.7	$104.1
Net Income per Share	$1.22	$0.85	$1.63
Cash Flow from Operations	$63.5[1]	$59.9	$113.5[2]
Cash Flow from Operations per Share	$0.99	$0.94	$1.77
Total Assets	$737.0	$714.1	$731.0
Dividend per Share	$1.00	$1.00	$1.65
Number of Common Shares outstanding	64.0	64.0	64.0

(1) Includes $15.1 million of IOC dividends.

(2) Includes $48.1 million of IOC dividends.

The following table sets out quarterly revenue, net income and cash flow data for 2016 and 2015. 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 Income	Net Income per Share	Cash Flow	Cash Flow from Operations per Share	Adjusted Cash Flow per Share (1)	Dividends Declared per Share
	(in millions except per Share information)						
2016							
First Quarter	$22.3	$11.0	$0.17	$12.5	$0.19	$0.19	$0.25
Second Quarter	$25.8	$8.3	$0.13	$7.5	$0.12	$0.22	$0.25
Third Quarter	$28.4	$21.2	$0.33	$15.2	$0.24	$0.24	$0.25
Fourth Quarter	$38.6	$37.7	$0.59	$28.3(2)	$0.44(2)	$0.57(2)	$0.25
2015							
First Quarter	$23.7	$10.0	$0.16	$15.2	$0.24	$0.20	$0.25
Second Quarter	$24.0	$15.4	$0.24	$12.5	$0.20	$0.21	$0.25
Third Quarter	$32.0	$19.0	$0.30	$12.2	$0.19	$0.28	$0.25
Fourth Quarter	$22.0	$10.3	$0.15	$20.0	$0.31	$0.19	$0.25

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

(2) Includes a $15.1 million IOC dividend.

Standardized Cash Flow and Adjusted Cash Flow

For the Corporation, standardized cash flow is the same as cash flow from operating activities as recorded in the Corporation's cash flow statements as the Corporation does not incur capital expenditures or have any restrictions on dividends. Standardized cash flow per share was $0.99 for 2016 (2015 - $0.94). Cumulative standardized cash flow from inception of the Corporation is $22.54 per share and total cash distributions since inception are $21.94 per share, for a payout ratio of 97%.

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.

	2016	2015
Standardized cash flow from operating activities	$63,473,476	$59,907,879
Changes in amounts receivable, accounts and interest payable and income taxes recoverable and payable	14,570,210	(3,687,509)
Adjusted cash flow	$78,043,686	$56,220,370
Adjusted cash flow per share	$1.22	$0.88

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, the Executive Vice President and Secretary 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, 2016.

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, 2016.

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, 2016.

Outlook

Most forecasts for seaborne iron ore, 62% Fe, CFR China, are for the price to decline and average approximately US$55 per tonne in 2017, based on anticipated increased supply, notably from Vale's S11D mine in Brazil and Roy Hill's mine in Australia. It is also reportedly feasible that the Samarco operation in Brazil could re-open in late 2017 or in 2018, which would likely adversely affect pellet premiums.

Rio Tinto has released guidance for 2017 of between 11.4 million to 12.4 million tonnes of their 58.7% share of saleable production – pellets and concentrates for sale, from IOC. This would result in 19.4 million to 21.1 million tonnes of saleable production on a 100 percent basis. With the strong pellet premiums at present, IOC will continue to prioritize pellet production in 2017. The IOC objective is 22 million tonnes of concentrate production with sales of approximately 11 million tonnes of pellets and 9.5 million tonnes of CFS in 2017.

The capital expenditures for 2017 will be substantially higher than in 2016, possibly up to $245 million, with the refurbishment of induration machines in two pellet plant lines in early 2017, plus the development of the Wabush 3 Pit. The six year collective agreements with the United Steelworkers of America union employees expire in March, 2018.

The price of iron ore in early 2017 has again exceeded forecasts. If the improved prices and premiums continue in 2017, IOC achieves the production guidance, and the Canadian dollar does not appreciate significantly against the US dollar, the 2017 outlook for LIORC will be materially improved cash flows.

Forward-Looking Statements

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

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.

William H. McNeil,
President and Chief Executive Officer
Toronto, Ontario
March 2, 2017

LABRADOR IRON ORE ROYALTY CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31	
	2016	2015
Assets		
Current Assets		
Cash	$ 23,936,988	$ 24,463,512
Amounts receivable	38,487,316	20,508,756
Income taxes recoverable	490,345	240,299
Total Current Assets	62,914,649	45,212,567
Non-Current Assets		
Iron Ore Company of Canada ("IOC"),		
royalty and commission interests		

265,383,753

270,517,368

Investment in IOC	408,679,560	398,327,969
Total Non-Current Assets	674,063,313	668,845,337
Total Assets	$ 736,977,962	$ 714,057,904
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 8,072,608	$ 4,414,212
Dividend payable	16,000,000	16,000,000
Total Current Liabilities	24,072,608	20,414,212
Non-Current Liabilities		
Deferred income taxes	129,060,000	124,670,000
Total Liabilities	153,132,608	145,084,212
Shareholders' Equity		
Share capital	317,708,147	317,708,147
Retained earnings	276,588,207	262,415,545
Accumulated other comprehensive loss	(10,451,000)	(11,150,000)
	583,845,354	568,973,692
Total Liabilities and Shareholders' Equity	$ 736,977,962	$ 714,057,904

LABRADOR IRON ORE ROYALTY CORPORATION

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the years ended December 31	2016	2015
Revenue		
IOC royalties	$ 113,081,083	$ 99,689,521
IOC commissions	1,793,469	1,759,426
Interest and other income	232,739	249,565
	115,107,291	101,698,512
Expenses		
Newfoundland royalty taxes	22,616,216	19,937,904
Amortization of royalty and commission interests	5,133,615	4,915,613
Administrative expenses	2,743,124	2,730,867
	30,492,955	27,584,384
Income before equity earnings and income taxes	84,614,336	74,114,128
Equity earnings in IOC	24,722,536	2,359,556
Income before income taxes	109,336,872	76,473,684
Provision for income taxes		
Current	26,821,210	22,809,371
Deferred	4,343,000	(994,000)
	31,164,210	21,815,371
Net income for the year	78,172,662	54,658,313
Other comprehensive income		
Share of other comprehensive income of IOC that will not be reclassified subsequently to profit or loss	699,000	596,000
Comprehensive income for the year	$ 78,871,662	$ 55,254,313
Net income per share	$ 1.22	$ 0.85

LABRADOR IRON ORE ROYALTY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31	2016	2015
Net inflow (outflow) of cash related		
to the following activities		
Operating		
Net income for the year	$ 78,172,662	$ 54,658,313
Items not affecting cash:		
Equity earnings in IOC	(24,722,536)	(2,359,556)
Current income taxes	26,821,210	22,809,371
Deferred income taxes	4,343,000	(994,000)
Amortization of royalty and commission interests	5,133,615	4,915,613
Common share dividend from IOC	15,116,945	-
Change in amounts receivable	(17,978,560)	4,352,447
Change in accounts payable	3,658,396	(897,265)
Income taxes paid	(27,071,256)	(22,577,044)
Cash flow from operating activities	63,473,476	59,907,879
Financing		
Dividends paid to shareholders	(64,000,000)	(70,400,000)
Cash flow used in financing activities	(64,000,000)	(70,400,000)
Decrease in cash, during the year	(526,524)	(10,492,121)
Cash, beginning of year	24,463,512	34,955,633
Cash, end of year	$ 23,936,988	$ 24,463,512

LABRADOR IRON ORE ROYALTY CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance as at December 31, 2014	$ 317,708,147	$ 271,757,232	$ (11,746,000)	$ 577,719,379
Net income for the year	-	54,658,313	-	54,658,313
Dividends declared to shareholders	-	(64,000,000)	-	(64,000,000)
Share of other comprehensive income from investment in IOC (net of taxes)	-	-	596,000	596,000
Balance as at December 31, 2015	$ 317,708,147	$ 262,415,545	$ (11,150,000)	$ 568,973,692
Balance as at December 31, 2015	$ 317,708,147	$ 262,415,545	$ (11,150,000)	$ 568,973,692
Net income for the year	-	78,172,662	-	78,172,662
Dividends declared to shareholders	-	(64,000,000)	-	(64,000,000)
Share of other comprehensive income from investment in IOC (net of taxes)	-	-	699,000	699,000
Balance as at December 31, 2016	$ 317,708,147	$ 276,588,207	$ (10,451,000)	$ 583,845,354

The complete consolidated financial statements for the year ended December 31, 2016, including the notes thereto, are posted on sedar.com and labradorironore.com.

SOURCE Labrador Iron Ore Royalty Corp.

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