

# Labrador Iron Ore Royalty Corporation - 2022 Results Of Operations

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TORONTO, March 7, 2023 - [Labrador Iron Ore Royalty Corp.](#) ("LIORC") (TSX: LIF) announced the results of its operations ended December 31, 2022.

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, 2022.

85 Years in Labrador West

[Labrador Iron Ore Royalty Corp.](#) has been involved in Labrador West for 85 years. Under a Statutory Agreement with the Government of Labrador made in 1938, a predecessor company, Labrador Mining and Exploration Limited ("LM&E"), was granted extensive exploring 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 the town site that became Labrador City. LM&E subleased the leases to IOC and IOC, with major steel companies as original tenants, built the infrastructure, mine, railway and port. Under the sublease, LIORC receives a 7% gross overriding royalty on iron ore produced and sold by IOC.

## Financial Performance

In 2022, LIORC's financial results were negatively impacted by lower iron ore prices and lower volumes of pellet sales, higher pellet premiums and higher volumes of concentrate for sale ("CFS") sales. Net income per share for the year ended December 31, 2022 was \$4.15 per share, which was a 30% decrease over 2021. The cash flow from operations per share for 2022 was \$1.15 per share, which was 54% lower than in 2021 due to lower royalty revenues and decreased dividends from IOC. IOC dividends decreased as a result of lower earnings at IOC and a decision by IOC to pay lower shareholder dividends in order to retain a higher cash balance in part to expectations of higher capital expenditure needs going forward. In 2022, IOC paid dividends to its shareholders of US\$1,200 million and had a year-end net working capital balance of US\$274.7 million, compared to dividends of US\$1,200 million and a working capital balance of US\$16.9 million in 2021.

In 2022 global steel production dropped by 5%, as higher inflation and global recessionary concerns reduced the demand for steel. Steel production was also negatively impacted by China's zero COVID-19 policy of strict lockdowns and concerns about China's economic construction sector. This resulted in decreased demand from China and the rest of the world for seaborne iron ore, and iron ore prices declined from the record prices experienced in 2021. IOC sells CFS based on the the Platts index for 65% Fe, CFS ("65% Fe index"). All references to tonnes and per tonne prices in this report refer to wet metric tonnes, other than references to dry metric tonnes, which refer to dry metric tonnes. Historically, IOC's wet ore contains approximately 3% less ore per equivalent tonne than dry ore. In 2022, the average price for the 65% Fe index was US\$139 per tonne, a decrease of 25% year over year. The 65% Fe index continued to be quite volatile throughout the year, starting the year at US\$140 per

tonne and trading as high as US\$192 per tonne in March and as low as US\$91 per tonne in October, before ending the year at US\$139 per tonne.

Despite the reduction in steel production, the demand for pellets held firm and as a result the decline in the price for pellets was offset by an increase in the pellet premium. The monthly Atlantic Blast Furnace 65% Fe pellet premium index as quoted by Platts ("65% Fe pellet premium") averaged US\$72 per tonne in 2022, an increase of 20% from 2021.

Rio Tinto disclosed that IOC achieved an average realised price for pellets, FOB Sept-Îles of approximately US\$190 per tonne in 2022, a decrease of 11% year over year. Based on sales as reported for the LIORC Royalty, the overall average price realized for pellets was US\$139 per tonne in 2022.

and pellets, FOB Sept-Îles was approximately US\$153 per tonne in 2022, a decrease of 19% year over year. The decrease in average realized price FOB Sept-Îles in 2022 was a result of lower CFS and pellet prices.

## Iron Ore Company of Canada Operations

### Operations

Total concentrate production in 2022 was 19.1 million tonnes. This was 7% higher than 2021, in part as a result of a lower average realized price FOB Sept-Îles in 2022. IOC also successfully deployed the Rio Tinto Safe Production System (SPS) at the concentrator in the year, which helped to achieve monthly records for concentrate production and total material moved in the second quarter. Despite the success, there continued to be a number of operational issues that limited IOC from achieving concentrate production closer to nameplate capacity, including intermittent periods of a lack of feed at the concentrator due to the mine and ore delivery system in the first quarter and equipment availability at the loadout during the fourth quarter.

The IOC saleable production (CFS plus pellets) of 17.6 million tonnes in 2022 was 6% higher than 2021, and was within Rio Tinto's original annual guidance of 17.0 to 18.7 million tonnes. In 2022, CFS production of 7.95 million tonnes was 21% higher than 2021, mainly due to higher concentrate production referred to above. Pellet production in 2022 of 9.6 million tonnes was 4% lower than 2021, mainly due to equipment reliability challenges, a negative stockpile survey adjustment and lower pellet recovery rates over the year.

Third party iron ore haulage by the Québec North Shore and Labrador Railway Company, Inc. ("QNS&L") of 14.6 million tonnes in 2022 was 14% higher than in 2021, predominantly due to increased shipments of iron ore from Champion Iron.

### Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 16.4 million tonnes in 2022 was 3% lower than the total sales tonnage in 2021, predominantly due to inventory availability, and a significant weather event in December that affected the timing of sales in the fourth quarter.

### Capital Expenditures

Capital expenditures for IOC were \$460 million in 2022. This was 8% lower than 2021, but substantially higher than 2020. Capital expenditures in 2022 were 24% lower than the \$606 million that IOC had originally forecasted, mainly due to the decision to defer certain capital projects, including the redesign of the tailings system, the rebuild of induration machine #3 at the pellet plant and the construction of a parallel outgo rail track to improve the dumping speed and operational efficiency at Sept-Îles.

### Outlook

Rio Tinto's 2023 guidance for IOC's saleable production tonnage (CFS plus pellets) is 17.9 million to 19.6 million tonnes, compared to 17.6 million tonnes of saleable production in 2022. Despite the lower current pellet premiums, it is expected that IOC will continue to focus on maximizing pellet production in 2023.

The capital expenditures for 2023 at IOC are forecasted by IOC to be approximately \$534 million. The 2023 forecast includes approximately \$134 million of growth and development projects. Significant development capital expenditure projects scheduled for 2023 include the redesign of Mill 11 Fine Circuit, the new outgo track at Sept-Îles referred to above, and the replacement of existing oil steam capacity with an electric boiler to reduce carbon emissions. Significant sustaining capital expenditure projects scheduled for 2023 include the rebuild of induration machine #3 at the pellet plant and the track replacement program on the QNS&L.

IOC's operator, Rio Tinto, is committed to reaching net zero emissions by 2050 and is targeting a 15% reduction in Scope 1 emissions by 2025 (from a 2018 baseline) and a 50% reduction by 2030. Approximately 75% of IOC's current GHG emissions are from pelletizing. In the shorter term, IOC is looking at ways to electrify its sources of heat to reduce emissions. This includes the new electric boiler referred to above and the commencement of the pilot project to test the use of four new plasma torches at the pellet plant.

Rio Tinto's approach to addressing Scope 3 emissions is to engage with its customers on climate change and work with them to adopt the technologies to decarbonize. Optimizing the use of traditional blast furnaces involves the use of higher-grade iron ore pellets produced by IOC. Additionally, the direct reduction of high-grade iron ore pellets (such as those produced by IOC) is already being achieved by technology today using natural gas as a reductant to produce a low-carbon iron product that can be directly processed

furnace. Switching from natural gas to green hydrogen would make this a net zero process route. Rio Tinto states that it will further evaluate opportunities in North America and the Middle East to produce hot briquetted iron (HBI) with hydro-based gas and high-grade iron ore from IOC.

On January 31, 2023, IOC and The Naskapi Nation of Kawawachikamach signed an agreement to establish a mutually beneficial relationship based on dialogue, collaboration and trust between the company and the community over the coming decade. The socio-economic agreement aims to create opportunities for greater participation by Naskapi people in IOC's activities through development, employment, collaboration on environmental projects, and procurement. It will also protect and encourage traditional activities and provide long-term financial benefits to the Naskapi Nation.

Despite the significant decrease in iron ore markets in the second half of 2022, prices have recently improved as China's COVID-19 policy of strict lockdowns and there are some indications that there will be support for China's property sector. The World Steel Association is forecasting a 2.2% increase in global steel production for 2023, suggesting further support for iron ore. Thus far in 2023 (January and February), the average price of the 65% Fe index has been US\$139 per tonne, which is up from the annual average of the 65% Fe index in 2022 and up from an average of US\$111 per tonne in the fourth quarter of 2022. However, demand for pellets has remained weaker and thus far in 2023 (January and February) the average pellet premium has been US\$72 per tonne compared to an annual average of US\$72 per tonne in 2022.

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

Respectfully submitted on behalf of the Directors of the Corporation,

John F. Tuer  
President and Chief Executive Officer  
March 7, 2023

## Corporate Structure

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

LIORC, directly and through its wholly-owned subsidiary Hollinger-Hanna, holds a 15.10% equity interest in IOC and receives an 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 the free cash flow generated from IOC to the maximum extent possible, subject to the maintenance of appropriate levels of working capital. Quarterly dividends are payable to all shareholders of record on the last business day of each calendar quarter and are paid on or after the 26th day of the following month.

Seven Directors are responsible for the governance of the Corporation and also serve as directors of Hollinger-Hanna. In addition to managing the affairs of the Corporation and Hollinger-Hanna, oversee the Corporation's interests in IOC. The 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. Dividend 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 income for that year. All dividends paid in 2022 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 IOC and its operations. IOC is one of Canada's largest iron ore producers, operating a mine, concentrator and pellet plant in Newfoundland and Labrador, and is among the top five producers of seaborne iron ore pellets in the world. It has been processing iron ore concentrate and pellets since 1954. IOC is strategically situated to serve markets throughout the world with year-round port facilities at Sept-Îles, Québec.

IOC has ore reserves sufficient for approximately 24 years at current production rates with additional resources of a grade 1. IOC currently has the nominal capacity to extract around 55 million tonnes of crude ore annually. The crude ore is processed into concentrate and then either sold or converted into many different qualities of iron ore pellets to meet its customers' needs. Concentrate and pellets are transported to IOC's port facilities at Sept-Îles, Québec via its wholly-owned QNS&L, a 418 km pipeline which links the mine and the port. From there, the products are shipped to markets throughout North America, Europe, and the Asia-Pacific region.

IOC's 2022 sales tonnages totaled 16.3 million tonnes, comprised of 9.2 million tonnes of iron ore pellets and 7.1 million tonnes of concentrate. Saleable production in 2022 was 9.6 million tonnes of pellets and 7.9 million tonnes of CFS. IOC generated revenues (excluding third party ore sales) of \$3,184 million in 2022 (2021 - \$3,922 million).

### Selected IOC Financial Information

	2022	2021	2020	2019	2018
(\$ in millions)					
Operating Revenues <sup>(1)</sup>	3,426	4,147	3,099	2,719	1,930
Cash Flow from Operating Activities	1,021	1,955	837	1,302	578
Net Income	1,028	1,551	842	749	383
Capital Expenditures <sup>(2)</sup>	460	498	288	294	205

(1) 2022 and 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% 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 2022, the average royalty net of the 20% tax had been \$150.2 million. In 2022 the net royalty was \$184.6 million (2021 - \$222.2 million).

Because the royalty is "off-the-top", it is not dependent on the profitability of IOC. However, it is affected by changes in 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

equity interest in IOC. The other shareholders of IOC are Rio Tinto Limited with 58.72% and Mitsubishi Corporation with 41.28%.

## 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 the agreement, IOC is obligated to make the payment to Hollinger-Hanna so long as Hollinger-Hanna is in existence and so long as IOC produces and sells products. Hollinger-Hanna received a total of \$1.6 million in commissions from IOC (2021 - \$1.7 million).

## Quarterly Dividends

Dividends of \$3.10 per share were declared in 2022 (2021 - dividends of \$6.00 per share). These dividends were allocated to all shareholders of record as of the record date.

Period	Record	Payment	Dividend	Total
			Income	Dividend
Ended	Date	Date	per Share (\$	Million)
Mar. 31, 2022	Mar. 31, 2022	Apr. 26, 2022	\$0.50	\$32.0
Jun. 30, 2022	Jun. 30, 2022	Jul. 26, 2022	0.90	57.6
Sep. 30, 2022	Sep. 29, 2022	Oct. 26, 2022	1.00	64.0
Dec. 31, 2022	Dec. 30, 2022	Jan. 26, 2023	0.70	44.8
Dividend to Shareholders - 2022		\$3.10	\$198.4	
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	

The quarterly dividends are payable to all shareholders of record on or before the last day of each calendar quarter and 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, 2022 and 2021. This discussion should be read in conjunction with the consolidated financial statements and notes thereto for the years ended December 31, 2022 and 2021 which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all amounts are 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 Minerals Limited, formerly a wholly-owned subsidiary of the Fund, that occurred pursuant to the plan of arrangement.

The Corporation is economically 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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
(\$ in millions except per share information)				
Revenue	48.3	60.1	232.9	279.7
Equity earnings from IOC	19.7	45.9	154.1	229.6
Net income	44.6	78.2	265.4	379.8
Net income per share	\$ 0.70	\$ 1.22	\$ 4.15	\$ 5.93
Dividend from IOC	15.4	48.5	69.1	227.8
Cash flow from operations	60.5	106.6	184.2	402.4
Cash flow from operations per share <sup>(1)</sup>	\$ 0.95	\$ 1.67	\$ 2.88	\$ 6.29
Adjusted cash flow <sup>(1)</sup>	41.9	81.6	197.8	382.6
Adjusted cash flow per share <sup>(1)</sup>	\$ 0.65	\$ 1.27	\$ 3.09	\$ 5.98
Dividends declared per share	\$ 0.70	\$ 1.15	\$ 3.10	\$ 6.00

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The lower revenue, net income and equity earnings achieved in 2022 as compared to 2021 were mainly due to lower realized iron ore concentrate and pellet prices and lower sales tonnages. Iron prices were lower in 2022 than 2021 as higher inflation and global recessionary concerns and China's zero COVID-19 policy of strict lockdowns and concerns about China's property construction industry reduced the global demand for steel. Despite higher saleable production, total sales tonnages (pellets and CFS) at IOC were 3% lower in 2022 than 2021 predominantly due to inventory availability, and a significant weather event in December that affected the timing of sales in the fourth quarter.

Fourth quarter 2022 sales tonnages (pellets and CFS) were lower year-over-year by 11% despite higher saleable production, due to inventory availability and a significant weather event in December that affected the timing of sales. Royalty revenue was \$47.6 million for the quarter as compared to \$59.5 million for the same period in 2021. Fourth quarter 2022 cash flow from operations was \$60.5 million or \$0.95 per share compared to fourth quarter 2021 cash flow from operations of \$106.6 million or \$1.67 per share. LIORC received an IOC dividend in the fourth quarter of 2022 in the amount of \$15.4 million or \$0.24 per share (2021 - \$48.5 million or \$0.76 per share). Equity earnings from IOC amounted to \$19.7 million or \$0.31 per share in the fourth quarter of 2022 compared to \$45.9 million or \$0.72 per share for the same period in 2021.

## Operating Highlights

	Three Months Ended Year Ended			
	December 31,		December 31,	
IOC Operations	2022	2021	2022	2021
	(in millions of tonnes)			
Sales <sup>(1)</sup>				
Pellets	1.94	2.89	9.17	9.97
Concentrate for sale ("CFS") <sup>(2)</sup>	2.02	1.55	7.21	6.87
Total <sup>(3)</sup>	3.96	4.44	16.38	16.84
Production				
Concentrate produced	4.76	4.77	19.09	17.89
Saleable production				
Pellets	2.29	2.54	9.61	9.99
CFS	2.02	1.72	7.95	6.58
Total <sup>(3)</sup>	4.31	4.25	17.56	16.57
Average index prices per tonne (US\$)				
65% Fe index <sup>(4)</sup>	\$ 111	\$ 129	\$ 139	\$ 185
62% Fe index <sup>(5)</sup>	\$ 99	\$ 110	\$ 120	\$ 159
Pellet premium <sup>(6)</sup>	\$ 61	\$ 56	\$ 72	\$ 60

(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's total concentrate production in 2022 was 19.1 million tonnes. This was 7% higher than 2021, in part as a result of a lower strip ratio in 2022. IOC's total saleable production (CFS plus pellets) of 17.6 million tonnes in 2022 was 6% higher than 2021. In 2022, CFS production of 7.95 million tonnes was 21% higher than 2021, mainly due to higher concentrate production referred to above. Pellet production in 2022 of 9.6 million tonnes was 4% lower than 2021 mainly due to equipment reliability challenges, a negative stockpile survey adjustment and lower pellet recovery rates experienced during the year.

IOC sells CFS based on the 65% Fe index. In 2022, the average price for the 65% Fe index was US\$139 per tonne, a decrease of 25% year over year, mainly due to a 5% decrease in global steel production. Despite the reduction in steel production, the demand for pellets held firm and as a result the decline in the price for pellets was mitigated by an increase in the pellet premium. The monthly pellet premium averaged US\$72 per tonne in 2022, an increase of 20% from 2021. Based on sales as reported for the LIORC Royalty, the overall average price realized by IOC for CFS and pellets, FOB Sept-Îles was approximately US\$153 per tonne in 2022, a decrease of 19% year over year. The decrease in the average realized price FOB Sept-Îles in 2022 was a result of lower CFS and pellet prices.

Capital expenditures for IOC were \$460 million in 2022. This was 8% lower than in 2021, but substantially higher than 2020. Capital expenditures in 2022 were 24% lower than the \$606 million that IOC had originally forecasted for 2022, mainly because of the decision by IOC to defer certain capital projects, including the redesign of the tailings system, the rebuild of induration machine #3 at the pellet plant, and the construction of a parallel outgo rail track in Sept-Îles to improve the dumping speed and operational efficiency.

#### Liquidity and Capital Resources

The Corporation had \$39.9 million (2021 - \$82.9 million) in cash as at December 31, 2022 with total current assets of \$83.0 million (2021 - \$132.6 million). The Corporation had working capital of \$29.0 million (2021 - \$29.7 million). The Corporation's operating cash flow was \$184.2 million (2021 - \$402.4 million) and dividends paid during the year were \$227.2 million, resulting in cash balances decreasing by \$43.0 million during 2022.

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 the free cash flow generated from IOC 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 19, 2025 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, 2022, 2021 and 2020.



Description	Years Ended December 31		
	2022	2021	2020
	(in millions except per share information)		
Revenue	\$232.9	\$279.7	\$202.3
Net Income	\$265.4	\$379.8	\$227.2
Net Income per Share	\$4.15	\$5.93	\$3.55
Cash Flow from Operations	\$184.2 <sup>(1)</sup>	\$402.4 <sup>(2)</sup>	\$175.4 <sup>(3)</sup>
Cash Flow from Operations per Share	\$2.88 <sup>(1)</sup>	\$6.29 <sup>(2)</sup>	\$2.74 <sup>(3)</sup>
Total Assets	\$825.8	\$789.3	\$823.2
Dividends Declared per Share	\$3.10	\$6.00	\$3.05
Number of Common Shares outstanding	64.0	64.0	64.0

(1) Includes IOC dividends totaling \$69.1 million or \$1.08 per Share.

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

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

The following table sets out quarterly revenue, net income, cash flow and dividend data for 2022 and 2021. 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 from Operations	Cash Flow from Operations per Share	Adjusted Cash Flow per Share (1)	Dividends Declared per Share
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(in millions except per share information)

2022

First Quarter	\$54.2	\$63.2	\$0.99	\$4.1	\$0.06	\$0.47	\$0.50
Second Quarter	\$66.3	\$78.4	\$1.22	\$41.1 <sup>(2)</sup>	\$0.64 <sup>(2)</sup>	\$0.88 <sup>(2)</sup>	\$0.90
Third Quarter	\$64.1	\$79.2	\$1.24	\$78.5 <sup>(3)</sup>	\$1.23 <sup>(3)</sup>	\$1.09 <sup>(3)</sup>	\$1.00
Fourth Quarter	\$48.3	\$44.6	\$0.70	\$60.5 <sup>(4)</sup>	\$0.95 <sup>(4)</sup>	\$0.65 <sup>(4)</sup>	\$0.70

2021

First Quarter	\$65.7	\$86.6	\$1.35	\$42.7 <sup>(5)</sup>	\$0.67 <sup>(5)</sup>	\$0.87 <sup>(5)</sup>	\$1.00
Second Quarter	\$79.2	\$110.2	\$1.72	\$115.9 <sup>(6)</sup>	\$1.81 <sup>(6)</sup>	\$1.85 <sup>(6)</sup>	\$1.75
Third Quarter	\$74.7	\$104.8	\$1.64	\$137.3 <sup>(7)</sup>	\$2.15 <sup>(7)</sup>	\$1.99 <sup>(7)</sup>	\$2.10
Fourth Quarter	\$60.1	\$78.2	\$1.22	\$106.6 <sup>(8)</sup>	\$1.67 <sup>(8)</sup>	\$1.27 <sup>(8)</sup>	\$1.15

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

(2) Includes \$19.6 million IOC dividend.

(3) Includes \$34.2 million IOC dividend.

(4) Includes \$15.4 million IOC dividend.

(5) Includes \$19.0 million IOC dividend.

(6) Includes \$74.4 million IOC dividend.

(7) Includes \$85.8 million IOC dividend.

(8) Includes \$48.5 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 \$2.88 for 2022 (2021 - \$6.29).

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.

	2022
	(in thousands except for)
Cash flow from operating activities	\$184,191
Changes in amounts receivable, accounts payable and income taxes recoverable and payable	13,559
Adjusted cash flow	\$197,750
Adjusted cash flow per share	\$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 President and 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, 2022.

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 President and 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, 2022.

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, 2022.

#### 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 and policies 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 licenses 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 7, 2023 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[1]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).

#### Additional information

Additional information relating to the Corporation, including the Annual Information Form, is on SEDAR at <http://www.sedar.com>. Additional information is also available on the Corporation's website at [www.labradorironore.com](http://www.labradorironore.com).

John F. Tuer  
President and Chief Executive Officer  
Toronto, Ontario  
March 7, 2023

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

#### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at	
	December 31,	December 31,
(in thousands of Canadian dollars)	2022	2021
Assets		
Current Assets		
Cash	\$ 39,904	\$ 82,913
Amounts receivable	42,758	49,681

Income taxes recoverable	357	-
Total Current Assets	83,019	132,594
Non-Current Assets		
Iron Ore Company of Canada ("IOC")		
royalty and commission interests	228,918	235,341
Investment in IOC	513,828	421,376
Total Non-Current Assets	742,746	656,717
Total Assets	\$ 825,765	\$ 789,311
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,286	\$ 10,786
Dividend payable	44,800	73,600
Taxes payable	-	18,625
Total Current Liabilities	54,086	103,011
Non-Current Liabilities		
Deferred income taxes	134,220	122,240
Total Liabilities	188,306	225,251
Shareholders' Equity		
Share capital	317,708	317,708
Retained earnings	324,821	257,772
Accumulated other comprehensive loss	(5,070)	(11,420)
	637,459	564,060
Total Liabilities and Shareholders' Equity	\$ 825,765	\$ 789,311

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Approved by the Directors,

John F. Tuer

Patricia M. Volker



Director

Director

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CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME



	For the Year Ended	
	December 31,	
(in thousands of Canadian dollars except for per share information)	2022	2021
Revenue		
IOC royalties	\$ 230,709	\$ 277,809
IOC commissions	1,613	1,657
Interest and other income	539	259
	232,861	279,725
Expenses		
Newfoundland royalty taxes	46,142	55,562
Amortization of royalty and commission interests	6,423	6,170
Administrative expenses	3,093	3,002
	55,658	64,734
Income before equity earnings and income taxes	177,203	214,991
Equity earnings in IOC	154,103	229,590
Income before income taxes	331,306	444,581
Provision for income taxes		
Current	54,998	66,338
Deferred	10,859	(1,529)
	65,857	64,809
Net income for the year	265,449	379,772
Other comprehensive income		
Share of other comprehensive income of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2022 - \$1,121; 2021 - \$339)	6,350	1,920
Comprehensive income for the year	\$ 271,799	\$ 381,692

Basic and diluted income per share	\$ 4.15	\$ 5.93
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[Labrador Iron Ore Royalty Corp.](#)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended	
	December 31,	
(in thousands of Canadian dollars)	2022	2021
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the year	\$ 265,449	\$ 379,772
Items not affecting cash:		
Equity earnings in IOC	(154,103)	(229,590)
Current income taxes	54,998	66,338
Deferred income taxes	10,859	(1,529)
Amortization of royalty and commission interests	6,423	6,170
Common share dividends from IOC	69,122	227,757
Change in amounts receivable	6,923	8,655
Change in accounts payable	(1,500)	(1,747)
Income taxes paid	(73,980)	(53,404)
Cash flow from operating activities	184,191	402,422
Financing		
Dividends paid to shareholders	(227,200)	(425,600)
Cash flow used in financing activities	(227,200)	(425,600)
Decrease in cash, during the year	(43,009)	(23,178)
Cash, beginning of year	82,913	106,091
Cash, end of year	\$ 39,904	\$ 82,913

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common	Share	Retained	Accumula other comprehe
(in thousands of Canadian dollars except share amounts)	shares	capital	earnings	loss
Balance as at December 31, 2020	64,000,000	\$ 317,708	\$ 262,000	\$ (13,340)
Net income for the year	-	-	379,772	-
Dividends declared to shareholders	-	-	(384,000)	-
Share of other comprehensive income from investment in IOC (net of taxes)	-	-	-	1,920
Balance as at December 31, 2021	64,000,000	\$ 317,708	\$ 257,772	\$ (11,420)
Balance as at December 31, 2021	64,000,000	\$ 317,708	\$ 257,772	\$ (11,420)
Net income for the year	-	-	265,449	-
Dividends declared to shareholders	-	-	(198,400)	-
Share of other comprehensive income from investment in IOC (net of taxes)	-	-	-	6,350
Balance as at December 31, 2022	64,000,000	\$ 317,708	\$ 324,821	\$ (5,070)

The complete consolidated financial statements for the year ended December 31, 2022, 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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