

Labrador Iron Ore Royalty Corporation - Results for the First Quarter Ended March 31, 2020

08.05.2020 | [CNW](#)

TORONTO, May 7, 2020 - [Labrador Iron Ore Royalty Corp.](#) ("LIORC", TSX: LIF) announced today its operation and cash flow results for the first quarter ended March 31, 2020.

Royalty revenue for the first quarter of 2020 amounted to \$47.6 million as compared to \$38.5 million for the first quarter of 2019. Equity earnings from Iron Ore Company of Canada ("IOC") amounted to \$24.7 million or \$0.39 per share in the first quarter of 2020 as compared to \$22.4 million or \$0.35 per share in the first quarter of 2019. Net income was \$46.7 million or \$0.73 per share for the first quarter of 2020 compared to \$39.3 million or \$0.61 per share for the same period in 2019. Cash flow from operations for the first quarter was \$10.7 million or \$0.17 per share as compared to \$25.0 million or \$0.39 per share for the same period in 2019.

The equity earnings from IOC and net income for the first quarter of 2020 were higher than the first quarter of 2019, as a result of higher sales of concentrate for sale ("CFS") and pellets. Total IOC's sales for calculating the royalty to LIORC (CFS plus pellets) of 4.7 million tonnes were 33% higher in the first quarter of 2020 compared to the same period in 2019. CFS sales of 1.7 million tonnes were 103% higher than in the same period in 2019 and pellet sales in the first quarter of 2020 of 3.0 million tonnes were 12% higher than in the first quarter of 2019. Iron ore prices in the first quarter were mixed. The average price for the Platts index for 62% Fe Iron Ore, CFR China ("62% Fe index") increased 8% to US\$89 per tonne in the first quarter of 2020 compared to the average price in the first quarter of 2019 of US\$83 per tonne. However, the quarter-end Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US\$29 per tonne in the first quarter of 2020, a 57% decrease over the first quarter of 2019.

LIORC's results for the three months ended March 31 are summarized below:

| | 3 Months Ended Mar. 31, 2020 | 3 Months Ended Mar. 31, 2019 |
|--|------------------------------------|------------------------------------|
| (in millions except per share information) | | |
| | (Unaudited) | |
| Revenue | \$48.3 | \$39.2 |
| Cash flow from operations | \$10.7 | \$25.0 |
| Operating cash flow per share | \$0.17 | \$0.39 |
| Net income | \$46.7 | \$39.3 |
| Net income per share | \$0.73 | \$0.61 |

Iron Ore Company of Canada Operations

Production

Total concentrate production in the first quarter of 2020 of 4.7 million tonnes was 7% higher than the first quarter of 2019 and 1% higher than the fourth quarter of 2019. The mine set January and February records for total material moved. However, total material moved in March was lower than budgeted.

IOC continued to maximize pellet production during the first quarter of 2020. CFS production in the first quarter of 2020 of 1.6 million tonnes was 4% higher than in the first quarter of 2019 and 19% lower than the fourth quarter of 2019. Pellet production in the first quarter of 2020 of 2.8 million tonnes was 3% higher than the first quarter of 2019 and 15% higher than the fourth quarter of 2019. The pellet plant production in the first quarter of 2020 was higher than budgeted due to better than expected reliability of induration machine #1.

Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.7 million tonnes in the first quarter of 2020 was 33% higher compared to the same period in 2019, mainly as a result of higher production of CFS and pellets in the first quarter of 2020. In the first quarter of 2020 CFS tonnage sold by IOC was 103% higher than in the same period in 2019 and pellet sales tonnage was 12% higher than in the first quarter of 2019.

IOC sells CFS based on the Platts index for 65% Fe Iron Ore, CFR China ("65% Fe index"). The average price for the 65% Fe Index increased 9% to US\$104 per tonne in the first quarter of 2020 compared to the average price in the first quarter of 2019 of US\$95 per tonne. Demand for the high-quality iron ores that IOC produces remained strong in the first quarter of 2020, mainly driven by a combination of seaborne iron ore supply disruptions and solid demand from China's steel mills despite COVID-19 impacts. The premium for the 65% Fe index compared to the 62% Fe index, which had contracted over the last two quarters, increased in the first quarter of 2020 to 16%, as compared to 11% in the prior quarter.

The COVID-19 pandemic situation caused a slowdown in demand for pellets in various markets and industries across Europe and North America. The quarterly Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US\$29 per tonne in the first quarter of 2020, a 57% decrease over the first quarter of 2019 and 21% lower than the fourth quarter of 2019.

Despite lower pellet premiums, higher CFS prices together with higher concentrate and pellet tonnages, resulted in royalty revenue for LIORC in the first quarter of 2020 increasing 24% as compared to the royalty revenue in the first quarter of 2019.

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

| | 3 Months Ended Mar. 31, 2020 | 3 Months Ended Mar. 31, 2019 | Year Ended Dec. 31, 2019 |
|-----------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| Pellets | 3.02 | 2.70 | 9.62 |
| Concentrates ⁽¹⁾ | 1.68 | 0.83 | 7.51 |
| Total ⁽²⁾ | 4.70 | 3.53 | 17.14 |

(1) Excludes third party ore sales.

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

Outlook

The COVID-19 pandemic increases the uncertainty regarding the immediate outlook for LIORC. At present, IOC's mining, processing, rail and shipping operations continue to operate safely within the COVID-19 guidelines of both the Quebec and Newfoundland and Labrador governments. Rio Tinto's 2020 guidance for IOC's saleable production of CFS and pellets remains unchanged at between 17.9 and 20.4 million tonnes on a 100% basis. Additionally, despite a global economic

slowdown due to the global response to COVID-19, benchmark prices for iron ore concentrate remain attractive. To date, iron ore prices have benefited from continued demand from China and reduced supply, particularly from Brazil where heavy rains have reduced output. However, there are no assurances that future impacts from COVID-19 will not affect IOC's operational levels or seaborne iron ore prices.

Longer term LIORC is well positioned to benefit from its royalty and equity investments in IOC. The Canadian dollar ended the first quarter of 2020 at US\$0.705, down 8.5% from the start of the year. A decrease in the Canadian dollar increases IOC's profitability because seaborne iron ore is priced in US dollars and IOC's costs are predominantly incurred in Canadian dollars. Additionally, IOC's decision at the end of the first quarter of 2020 to temporarily halt production of two pellet mills in order to focus on meeting the demand for CFS highlights IOC's ability to adjust its output of product to align with changing market conditions. Finally, the recent renewal of all 12 of LIORC's mining leases for an additional 30 years by the Minister of Natural Resources of the Government of Newfoundland and Labrador, highlights the long life nature of LIORC's unique royalty asset.

The LIORC cash balance at March 31, 2020 stood at \$21.3 million before LIORC dividends payable on April 25, 2020 of \$0.35 per share or \$22.4 million. The net royalty from IOC was received by LIORC on the same date, maintaining the Corporation's strong cash balance.

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

John F. Tuer
President and Chief Executive Officer
May 7, 2020

Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis section of the Corporation's 2019 Annual Report, and the financial statements and notes contained therein and the March 31, 2020 interim condensed consolidated financial statements. The Corporation's revenues are entirely dependent on the operations of IOC as its principal assets relate to the operations of IOC and its principal source of revenue is the 7% royalty it receives on all sales of iron ore products by IOC. In addition to the volume of iron ore sold, the Corporation's royalty revenue is affected by the price of iron ore and the Canadian – U.S. dollar exchange rate.

The first quarter sales of IOC are traditionally adversely affected by the closing of the St. Lawrence Seaway and general winter operating conditions and are usually 15% – 20% of the annual volume, with the balance spread fairly even throughout the other three quarters. Because of the size of individual shipments, some quarters may be affected by the timing of the loading of ships that can be delayed from one quarter to the next.

Royalty revenue for the first quarter of 2020 amounted to \$47.6 million as compared to \$38.5 million for the first quarter of 2019. Equity earnings from IOC amounted to \$24.7 million or \$0.39 per share in the first quarter of 2020 as compared to \$19.3 million or \$0.35 per share in the first quarter of 2019. Net income was \$46.7 million or \$0.73 per share for the first quarter of 2020 compared to \$39.3 million or \$0.61 per share for the same period in 2019. Cash flow from operations for the first quarter was \$10.7 million or \$0.17 per share as compared to \$25.0 million or \$0.39 per share for the same period in 2019.

The equity earnings from IOC and net income for the first quarter of 2020 were higher than the first quarter of 2019, as a result of higher sales of CFS and pellets. Total IOC's sales for calculating the royalty to LIORC (CFS plus pellets) of 4.7 million tonnes were 33% higher in the first quarter of 2020 compared to the same period in 2019. CFS sales of 1.7 million tonnes were 103% higher than in the same period in 2019 and pellet sales in the first quarter of 2020 of 3.0 million tonnes were 12% higher than in the first quarter of 2019. Iron ore prices in the first quarter were mixed. The average price for the Platts index for 62% Fe index increased 8% to US\$89 per tonne in the first quarter of 2020 compared to the average price of the first quarter of 2019 of US\$83 per tonne. However, the quarterly Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US\$29 per tonne in the first quarter of 2020, a 57% decrease over the first quarter of 2019.

Total concentrate production in the first quarter of 2020 of 4.7 million tonnes was 7% higher than the first quarter of 2019 and 1% higher than the fourth quarter of 2019. The mine set January and February records for total material moved. However, total material moved in March was lower than budgeted.

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million tonnes was 4% higher than in the first quarter of 2019 and 19% lower than the fourth quarter of 2019. Pellet production in the first quarter of 2020 of 2.8 million tonnes was 3% higher than the first quarter of 2019 and 15% higher than the fourth quarter of 2019. The pellet plant production in the first quarter of 2020 was higher than budgeted due to better expected reliability of induration machine #1.

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.7 million tonnes in the first quarter of 2020 was 33% higher compared to the same period in 2019, mainly as a result of higher production of CFS and pellets in the first quarter of 2020. In the first quarter of 2020 CFS tonnage sold by IOC was 103% higher than in the same period in 2019 and pellet sales tonnage was 12% higher than in the first quarter of 2019.

IOC sells CFS based on the Platts index for 65% Fe index. The average price for the 65% Fe Index increased 9% to US\$95 per tonne in the first quarter of 2020 compared to the average price in the first quarter of 2019 of US\$95 per tonne. Demand for the high-quality iron ores that IOC produces remained strong in the first quarter of 2020, mainly driven by a combination of seaborne iron ore supply disruptions and solid demand from China's steel mills despite COVID-19 impacts. The premium for the 65% Fe index compared to the 62% Fe index, which had contracted over the last two quarters, increased in the first quarter of 2020 to 16%, as compared to 11% in the prior quarter.

The COVID-19 pandemic situation caused a slowdown in demand for pellets in various markets and industries across Europe and North America. The quarterly Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US\$29 per tonne in the first quarter of 2020, a 57% decrease over the first quarter of 2019 and 21% lower than the fourth quarter of 2019.

Despite lower pellet premiums, higher CFS prices together with higher concentrate and pellet tonnages, resulted in royalty revenue for LIORC in the first quarter of 2020 increasing 24% as compared to the royalty revenue in the first quarter of 2019.

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

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

(in millions except per share information)

2020

| | | | | | | | |
|---------------|--------|--------|--------|--------|--------|--------|--------|
| First Quarter | \$48.3 | \$46.7 | \$0.73 | \$10.7 | \$0.17 | \$0.42 | \$0.35 |
|---------------|--------|--------|--------|--------|--------|--------|--------|

2019

| | | | | | | | |
|---------------|--------|--------|--------|--------|--------|--------|--------|
| First Quarter | \$39.2 | \$39.3 | \$0.61 | \$25.0 | \$0.39 | \$0.34 | \$1.05 |
|---------------|--------|--------|--------|--------|--------|--------|--------|

| | | | | | | | |
|----------------|--------|--------|--------|-----------------------|-----------------------|-----------------------|--------|
| Second Quarter | \$53.3 | \$61.1 | \$0.95 | \$47.8 ⁽²⁾ | \$0.75 ⁽²⁾ | \$0.86 ⁽²⁾ | \$0.90 |
|----------------|--------|--------|--------|-----------------------|-----------------------|-----------------------|--------|

| | | | | | | | |
|---------------|--------|--------|--------|-----------------------|-----------------------|-----------------------|--------|
| Third Quarter | \$46.2 | \$57.5 | \$0.90 | \$72.6 ⁽³⁾ | \$1.13 ⁽³⁾ | \$1.02 ⁽³⁾ | \$1.00 |
|---------------|--------|--------|--------|-----------------------|-----------------------|-----------------------|--------|

| | | | | | | | |
|----------------|--------|--------|--------|-----------------------|-----------------------|-----------------------|--------|
| Fourth Quarter | \$39.6 | \$47.4 | \$0.74 | \$79.1 ⁽⁴⁾ | \$1.24 ⁽⁴⁾ | \$1.03 ⁽⁴⁾ | \$1.05 |
|----------------|--------|--------|--------|-----------------------|-----------------------|-----------------------|--------|

2018

| | | | | | | | |
|---------------|--------|--------|--------|--------|--------|--------|--------|
| First Quarter | \$34.3 | \$30.3 | \$0.47 | \$20.3 | \$0.32 | \$0.29 | \$0.35 |
|---------------|--------|--------|--------|--------|--------|--------|--------|

| | | | | | | | |
|----------------|-------|---------|----------|--------|--------|--------|--------|
| Second Quarter | \$5.2 | \$(3.3) | \$(0.05) | \$15.5 | \$0.24 | \$0.04 | \$0.25 |
|----------------|-------|---------|----------|--------|--------|--------|--------|

| | | | | | | | |
|---------------|--------|--------|--------|-----------------------|-----------------------|-----------------------|--------|
| Third Quarter | \$44.6 | \$58.1 | \$0.91 | \$59.7 ⁽⁵⁾ | \$0.93 ⁽⁵⁾ | \$1.30 ⁽⁵⁾ | \$0.55 |
|---------------|--------|--------|--------|-----------------------|-----------------------|-----------------------|--------|

| | | | | | | | |
|----------------|--------|--------|--------|-----------------------|-----------------------|-----------------------|--------|
| Fourth Quarter | \$46.8 | \$43.4 | \$0.68 | \$53.3 ⁽⁶⁾ | \$0.83 ⁽⁶⁾ | \$0.79 ⁽⁶⁾ | \$0.60 |
|----------------|--------|--------|--------|-----------------------|-----------------------|-----------------------|--------|

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

(2) Includes \$25.4 million IOC dividend.

(3) Includes \$40.1 million IOC dividend.

(4) Includes \$44.6 million IOC dividend.

(5) Includes \$58.6 million IOC dividend.

(6) Includes \$25.3 million IOC dividend.

Standardized Cash Flow and Adjusted Cash Flow

For the Corporation, standardized cash flow is the same as cash flow from operating activities as recorded in

the Corporation's cash flow statements as the Corporation does not incur capital expenditures or have any restrictions on dividends. Standardized cash flow per share was \$0.17 for the quarter (2019 - \$0.39). Cumulative standardized cash flow from inception of the Corporation is \$31.15 per share and total cash distributions since inception is \$30.69 per share, for a payout ratio of 99%.

The Corporation also reports "Adjusted cash flow" which is defined as cash flow from operating activities after adjustments for changes in amounts receivable, accounts payable and income taxes recoverable and payable. It is not a recognized measure under International Financial Reporting Standards ("IFRS"). The Directors believe that adjusted cash flow is a useful analytical measure as it better reflects cash available for dividends to shareholders.

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

| | 3 Months Ended | |
|--|----------------|---------------|
| | Mar. 31, 2020 | Mar. 31, 2019 |
| Standardized cash flow from operating activities | \$10,653 | \$24,963 |
| Changes in amounts receivable, accounts payable and income taxes payable | 16,173 | (3,451) |
| Adjusted cash flow | \$26,826 | \$21,512 |
| Adjusted cash flow per share | \$0.42 | \$0.34 |

Liquidity and Capital Resources

The Corporation had \$21.3 million in cash as at March 31, 2020 (December 31, 2019 - \$77.9 million) with total current assets of \$69.4 million (December 31, 2019 - \$114.0 million). The Corporation had working capital of \$32.6 million as at March 31, 2020 (December 31, 2019 - \$28.2 million). The Corporation's operating cash flow for the quarter was \$10.7 million and the dividend paid during the quarter was \$67.2 million, resulting in cash balances decreasing by \$56.5 million during the first quarter of 2020.

Cash balances consist of deposits in Canadian dollars with Canadian chartered banks. Amounts receivable primarily consist of royalty payments from IOC. Royalty payments are received in U.S. dollars and converted to Canadian dollars on receipt, usually 25 days after the quarter end. The Corporation does not normally attempt to hedge this short-term foreign currency exposure.

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

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

Outlook

The COVID-19 pandemic increases the uncertainty regarding the immediate outlook for LIORC. At present, IOC's mining, processing, rail and shipping operations continue to operate safely within the COVID-19 guidelines of both the Quebec and Newfoundland and Labrador governments. Rio Tinto's 2020 guidance for IOC's saleable production of CFS and pellets remains unchanged at between 17.9 and 20.4 million tonnes on a 100% basis. Additionally, despite a global economic slowdown due to the global response to COVID-19, benchmark prices for iron ore concentrate remain attractive. To date iron ore prices have

benefited from continued demand from China and reduced supply, particularly from Brazil where heavy rains have reduced output. However, there are no assurances that future impacts from COVID-19 will not affect IOC's operation levels or seaborne iron ore prices.

Longer term LIORC is well positioned to benefit from its royalty and equity investments in IOC. The Canadian dollar ended the first quarter of 2020 at US\$0.705, down 8.5% from the start of the year. A decrease in the Canadian dollar increases IOC's profitability because seaborne iron ore is priced in US dollars and IOC's costs are predominantly incurred in Canadian dollars. Additionally, IOC's decision at the end of the first quarter of 2020 to temporarily halt production of two pellet machines in order to focus on meeting the demand for CFS highlights IOC's ability to adjust its output of product to align with changing market conditions. Finally, the recent renewal of all 12 of LIORC's mining leases for an additional 30 years by the Ministry of Natural Resources of the Government of Newfoundland and Labrador, highlights the long life nature of LIORC's unique royalty asset.

The LIORC cash balance at March 31, 2020 stood at \$21.3 million before LIORC dividends payable on April 25, 2020 of \$0.35 per share or \$22.4 million. The net royalty from IOC was received by LIORC on the same date, maintaining the Corporation's strong cash balance.

John F. Tuer
President and Chief Executive Officer
Toronto, Ontario
May 7, 2020

Forward-Looking Statements

This report may contain "forward-looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "would", "anticipate" and other similar terminology are intended to identify forward-looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this report. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly, including iron ore price and volume volatility, exchange rates, the performance of IOC, market conditions in the steel industry, mining risks and insurance, relationships with indigenous groups, natural disasters, severe weather conditions and public health epidemics, changes affecting IOC's customers, competition from other iron ore producers, estimates of reserves and resources and government regulation and taxation. A discussion of these factors is contained in LIORC's annual information form dated March 5, 2020 under the heading, "Risk Factors". Although the forward-looking statements contained in this report are based upon what management of LIORC believes are reasonable assumptions, LIORC cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this report and LIORC assumes no obligation, except as required by law, to update any forward-looking statements to reflect new events or circumstances. This report should be viewed in conjunction with LIORC's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Notice:

The following unaudited interim condensed consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not reviewed these interim financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at

| | March 31, 2020 (Unaudited) | December 31, 2019 |
|---|----------------------------------|----------------------|
| (in thousands of Canadian dollars) | | |
| Assets | | |
| Current Assets | | |
| Cash and short-term investments | \$ 21,312 | \$ 77,859 |
| Amounts receivable | 48,062 | 36,156 |
| Total Current Assets | 69,374 | 114,015 |
| Non-Current Assets | | |
| Iron Ore Company of Canada ("IOC") | | |
| royalty and commission interests | 246,076 | 247,701 |
| Investment in IOC | 405,713 | 381,310 |
| Total Non-Current Assets | 651,789 | 629,011 |
| Total Assets | \$ 721,163 | \$ 743,026 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 9,995 | \$ 7,939 |
| Dividend payable | 22,400 | 67,200 |
| Taxes payable | 4,387 | 10,710 |
| Total Current Liabilities | 36,782 | 85,849 |
| Non-Current Liabilities | | |
| Deferred income taxes | 123,020 | 119,840 |
| Total Liabilities | 159,802 | 205,689 |
| Shareholders' Equity | | |
| Share capital | 317,708 | 317,708 |
| Retained earnings | 254,255 | 230,005 |
| Accumulated other comprehensive loss | (10,602) | (10,376) |
| | 561,361 | 537,337 |

| | | |
|--|------------|------------|
| Total Liabilities and Shareholders' Equity | \$ 721,163 | \$ 743,026 |
|--|------------|------------|

Approved by the Directors,

John F. Tuer

Director

Patricia M. Volker

Director

[Labrador Iron Ore Royalty Corp.](#)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

| | For the Three Months Ended | |
|---|----------------------------|-----------|
| | March 31, | |
| (in thousands of Canadian dollars except for per share information) | 2020 | 2019 |
| | (Unaudited) | |
| Revenue | | |
| IOC royalties | \$ 47,615 | \$ 38,496 |
| IOC commissions | 462 | 348 |
| Interest and other income | 222 | 366 |
| | 48,299 | 39,210 |
| Expenses | | |
| Newfoundland royalty taxes | 9,523 | 7,699 |
| Amortization of royalty and commission interests | 1,625 | 1,607 |
| Administrative expenses | 557 | 770 |
| | 11,705 | 10,076 |
| Income before equity earnings and income taxes | 36,594 | 29,134 |
| Equity earnings in IOC | 24,669 | 22,408 |
| Income before income taxes | 61,263 | 51,542 |
| Provision for income taxes | | |
| Current | 11,393 | 9,229 |

| | | |
|---|-----------|-----------|
| Deferred | 3,220 | 2,964 |
| | 14,613 | 12,193 |
| Net income for the period | 46,650 | 39,349 |
| Other comprehensive (loss) income | | |
| Share of other comprehensive (loss) income of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2020 - \$40; 2019 - \$202) | (226) | 1,145 |
| Comprehensive income for the period | \$ 46,424 | \$ 40,494 |
| Net income per share | \$ 0.73 | \$ 0.61 |

[Labrador Iron Ore Royalty Corp.](#)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Three Months Ended March 31, | |
|--|---|-----------|
| (in thousands of Canadian dollars) | 2020 | 2019 |
| | (Unaudited) | |
| Net inflow (outflow) of cash related to the following activities | | |
| Operating | | |
| Net income for the period | \$ 46,650 | \$ 39,349 |
| Items not affecting cash: | | |
| Equity earnings in IOC | (24,669) | (22,408) |
| Current income taxes | 11,393 | 9,229 |
| Deferred income taxes | 3,220 | 2,964 |
| Amortization of royalty and commission interests | 1,625 | 1,607 |
| Change in amounts receivable | (11,906) | 6,200 |
| Change in accounts payable | 2,056 | (1,528) |

| | | |
|--|-----------|-----------|
| Income taxes paid | (17,716) | (10,450) |
| Cash flow from operating activities | 10,653 | 24,963 |
| Financing | | |
| Dividend paid to shareholders | (67,200) | (38,400) |
| Cash flow used in financing activities | (67,200) | (38,400) |
| Decrease in cash, during the period | (56,547) | (13,437) |
| Cash, beginning of period | 77,859 | 80,495 |
| Cash, end of period | \$ 21,312 | \$ 67,058 |

[Labrador Iron Ore Royalty Corp.](#)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | | | Accumulated other comprehensive | |
|---|---------------------------------|------------------------------|---------------------------------------|------------|
| (in thousands of Canadian dollars) | Share capital (Unaudited) | Retained earnings loss | loss | Total |
| Balance as at December 31, 2018 | \$ 317,708 | \$ 280,759 | \$ (7,616) | \$ 590,851 |
| Adjustment on initial application of IFRS 16 | | (93) | | (93) |
| Net income for the period | - | 39,349 | - | 39,349 |
| Dividends declared to shareholders | - | (67,200) | - | (67,200) |
| Share of other comprehensive income from investment in IOC (net of taxes) - | | - | 1,145 | 1,145 |
| Balance as at March 31, 2019 | \$ 317,708 | \$ 252,815 | \$ (6,471) | \$ 564,052 |
| Balance as at December 31, 2019 | \$ 317,708 | \$ 230,005 | \$ (10,376) | \$ 537,337 |
| Net income for the period | - | 46,650 | - | 46,650 |
| Dividends declared to shareholders | - | (22,400) | - | (22,400) |
| Share of other comprehensive loss from investment in IOC (net of taxes) - | - | - | (226) | (226) |
| Balance as at March 31, 2020 | \$ 317,708 | \$ 254,255 | \$ (10,602) | \$ 561,361 |

The complete consolidated financial statements for the first quarter ended March 31, 2020, including the notes thereto, are posted on [sedar.com](#) and [labradorironore.com](#).

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

Contact

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