

**LABRADOR IRON ORE**  
ROYALTY CORPORATION

2023



**SECOND QUARTER  
REPORT**

**85 YEARS IN LABRADOR WEST**

# REPORT TO SHAREHOLDERS

---

## ■ To the Holders of Common Shares of Labrador Iron Ore Royalty Corporation

The Directors of Labrador Iron Ore Royalty Corporation (“LIORC” or the “Corporation”) present the second quarter report for the period ended June 30, 2023.

### Financial Performance

In the second quarter of 2023, LIORC’s financial results were negatively affected by lower iron ore prices and a change in product sales mix (lower sales volumes of pellets and higher sales volumes of concentrate for sale (“CFS”). Royalty revenue for the second quarter of 2023 amounted to \$50.9 million compared to \$65.9 million for the second quarter of 2022. Equity earnings from Iron Ore Company of Canada (“IOC”) were \$13.5 million in the second quarter of 2023 compared to \$47.2 million in the second quarter of 2022, as a result of lower revenue and higher operating costs at IOC. Net income per share for the second quarter of 2023 was \$0.65 per share, which was a 47% decrease over the same period in 2022. LIORC received a dividend from IOC in the amount of \$19.9 million in the second quarter of 2023, compared to a dividend from IOC in the amount of \$19.6 million in the second quarter of 2022. The adjusted cash flow per share for the second quarter of 2023 was \$0.75 per share, which was 15% lower than in the same period in 2022, as a result of lower royalty revenues. While adjusted cash flow is not a recognized measure under International Financial Reporting Standards (“IFRS”), the Directors believe that it is a useful analytical measure as it better reflects cash available for dividends to shareholders.

In the second quarter of 2023, iron ore prices declined from the levels experienced in 2022 and in the first quarter of 2023, predominantly as a result of lower global steel production, and continuing concerns over China’s economy and its property sector, in particular. According to the World Steel Association, global crude steel production decreased 2.6% in the second quarter of 2023 over the second quarter of 2022. In China, which accounts for over 70% of all seaborne iron ore demand, crude steel production decreased 2.9% in the second quarter of 2023 over the second quarter of 2022.

IOC sells CFS based on the Platts index for 65% Fe, CFR China (“65% Fe index”). All references to tonnes and per tonne prices in this report refer to wet metric tonnes, other than references to Platts quoted pricing, which refer to dry metric tonnes. Historically, IOC’s wet ore contains approximately 3% less ore per equivalent volume than dry ore. In the second quarter of 2023, the 65% Fe index averaged US\$124 per tonne, a 23% decrease over the average of US\$160 per tonne in the second quarter of 2022, and an 11% decrease over the average of US\$140 in the first quarter of 2023. In addition, low steel production margins in China caused steel mills to prefer medium-grade fines over high-grade fines. As a result, the spread of the 65% Fe index over the Platts index for 62% Fe, CFR China (“62% Fe Index”) narrowed in the second quarter of 2023 to \$13 per tonne from \$22 per tonne in the second quarter of 2022. The monthly Atlantic Blast Furnace 65% Fe pellet premium index as quoted by Platts (the “pellet premium”) averaged US\$47 per tonne in the second quarter of 2023, down 42% from an average of US\$81 per tonne in the same quarter of 2022.

# REPORT TO SHAREHOLDERS

---

Rio Tinto has disclosed that the average realised price achieved for IOC pellets, FOB Sept-Îles, in the second quarter of 2023 was US\$151 per tonne, compared to US\$206 per tonne in the same quarter of 2022. 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\$125 per tonne in the second quarter of 2023, compared to approximately US\$168 per tonne in the second quarter of 2022 and US\$136 per tonne in the first quarter of 2023.

## Iron Ore Company of Canada Operations

### Operations

IOC concentrate production of 3.8 million tonnes in the second quarter of 2023 was 24% lower than the same quarter of 2022 and 17% lower than in the first quarter of 2023, mainly due to the impact of the forest fires and resulting issues related to stockpile management in June, as well as issues with weather and ore car reliability earlier in the quarter.

The IOC saleable production (CFS plus pellets) of 3.5 million tonnes in the second quarter of 2023 was 21% lower than the same period in 2022, due to the lack of concentrate feed as a result of the factors referred to above. The IOC saleable production in the second quarter of 2023 was 18% lower than the first quarter of 2023.

Pellet production in the second quarter of 2023 of 1.6 million tonnes was 29% lower than the corresponding quarter in 2022 and 27% lower than the first quarter of 2023. Pellet production in the second quarter of 2023 was negatively impacted by the forest fires in June, as well as an increase in the duration of the induration machine 3 rebuild. In the second quarter of 2023, CFS production of 1.9 million tonnes was 13% lower than the same quarter last year and 10% lower than the first quarter of 2023, due to the reduction of concentrate production in June as a result of the forest fires and the overrun of the annual maintenance shutdown.

### Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.4 million tonnes in the second quarter of 2023 was 2% higher than the total sales tonnage for the same period in 2022 and 21% higher than the first quarter of 2023, as IOC drew down inventory, despite the negative impact of the forest fires and the annual maintenance shutdown in June. Pellet sales tonnage in the second quarter of 2023 was 6% lower than the same period in 2022 and 18% higher than the first quarter of 2023. CFS sales tonnage was 14% higher than the same quarter last year and 24% higher than the first quarter of 2023.

### Outlook

Rio Tinto's 2023 guidance for IOC's saleable production (CFS plus pellets) has been lowered to 17.0 million to 18.7 million tonnes (previously 17.9 million to 19.6 million tonnes) as a result of lost production in June due to wildfires in Northern Quebec, together with a slightly extended annual maintenance shutdown. This revised guidance compares to 17.6 million tonnes of saleable production in 2022. As reported in the 2022 Annual Report, IOC has set a capital expenditure budget of \$534 million for 2023, as it looks to continue renewing the

# REPORT TO SHAREHOLDERS

---

asset infrastructure and to improve the production results at IOC. Year-to-date, IOC is on track with regards to its capital expenditures, and its budget remains unchanged.

There continues to be a number of adverse issues affecting the outlook for the seaborne iron ore market. In China, extreme weather and unfavorable steel producer margins, are predicted to negatively impact the demand outlook for steel production. Tempering this negative sentiment, is the expectation that the Chinese government will announce measures to support the troubled property market which consumes about one-third of China's steel output. This could include lending rate cuts and potentially additional stimulus moving forward. More recently, in July 2023 the average price of the 65% Fe index was US\$126 per tonne, roughly equivalent to the average of the 65% Fe index for the second quarter of 2023. The pellet premiums have also improved modestly. The pellet premium for July was US\$49 per tonne compared to the average of US\$47 per tonne in the second quarter of 2023.

LIORC has no debt and at June 30, 2023 had positive net working capital (current assets less current liabilities) of \$29.8 million, which included the second quarter net royalty payment received from IOC on July 25, 2023 and the LIORC dividend in the amount of \$0.65 per share paid to shareholders on the next day.

Respectfully submitted on behalf of the Directors of the Corporation,



John F. Tuer  
President and Chief Executive Officer  
August 2, 2023

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis section of Labrador Iron Ore Royalty Corporation's ("LIORC" or the "Corporation") 2022 Annual Report, and the financial statements and notes contained therein and the June 30, 2023 interim condensed consolidated financial statements.

## Overview of the Business

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 general winter operating conditions and are usually 15% – 20% of the annual volume, with the balance spread fairly evenly throughout the other three quarters. Because of the size of individual shipments, some quarters may be affected by the timing of the loading of ships that can be delayed from one quarter to the next.

## Financial Highlights

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	<i>(\$ in millions except per share information)</i>			
Revenue	51.5	66.4	98.8	120.5
Equity earnings from IOC	13.5	47.2	35.4	87.6
Net income	41.9	78.4	85.4	141.7
Net income per share	\$ 0.65	\$ 1.23	\$ 1.33	\$ 2.21
Dividend from IOC	19.9	19.6	19.9	19.6
Cash flow from operations	40.9	41.1	60.4	45.2
Cash flow from operations per share <sup>(1)</sup>	\$ 0.64	\$ 0.64	\$ 0.94	\$ 0.71
Adjusted cash flow <sup>(1)</sup>	48.3	56.4	74.4	86.2
Adjusted cash flow per share <sup>(1)</sup>	\$ 0.75	\$ 0.88	\$ 1.16	\$ 1.35
Dividends declared per share	\$ 0.65	\$ 0.90	\$ 1.15	\$ 1.40

(1) This is a non-IFRS financial measure and does not have a standard meaning under IFRS. Please refer to Standardized Cash Flow and Adjusted Cash Flow section in the MD&A.

The lower revenue, net income and equity earnings achieved in the second quarter of 2023 as compared to 2022 were mainly due to lower iron ore prices, and a change in product sales mix (lower sales volumes of pellets and higher sales volumes of CFS). The second quarter of 2023 sales tonnage (pellets and CFS) were higher by 2% than the second quarter of 2022 predominantly due to IOC drawing down inventory at the port facility in Sept-Îles, despite the negative impact of the forest fires and the annual maintenance shutdown in June. CFS

# MANAGEMENT'S DISCUSSION AND ANALYSIS

sales tonnage was 14% higher than the same quarter last year and pellet sales tonnage was 6% lower than the same period in 2022.

However, the slightly higher sales tonnage was more than offset by a decrease in the realized sales price of pellets and CFS, resulting in royalty income of \$50.9 million for the quarter as compared to \$65.9 million for the same period in 2022. Second quarter 2023 cash flow from operations was \$40.9 million or \$0.64 per share compared to \$41.1 million or \$0.64 per share for the same period in 2022. LIORC received an IOC dividend in the second quarter of 2023 in the amount of \$19.9 million or \$0.31 per share compared to \$19.6 million for the same period in 2022. Equity earnings from IOC amounted to \$13.5 million or \$0.21 per share in the second quarter of 2023 compared to \$47.2 million or \$0.74 per share for the same period in 2022.

## Operating Highlights

IOC Operations	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	<i>(in millions of tonnes)</i>			
<b>Sales<sup>(1)</sup></b>				
Pellets	2.30	2.46	4.26	4.89
Concentrate for sale ("CFS") <sup>(2)</sup>	2.09	1.84	3.79	2.99
Total <sup>(3)</sup>	4.40	4.30	8.05	7.88
<b>Production</b>				
Concentrate produced	3.83	5.03	8.46	9.41
<b>Saleable production</b>				
Pellets	1.61	2.25	3.79	4.71
CFS	1.91	2.18	4.02	3.82
Total <sup>(3)</sup>	3.51	4.43	7.81	8.53
<b>Average index prices per tonne (US\$)</b>				
65% Fe index <sup>(4)</sup>	\$ 124	\$ 160	\$ 132	\$ 165
62% Fe index <sup>(5)</sup>	\$ 111	\$ 138	\$ 118	\$ 140
Pellet premium <sup>(6)</sup>	\$ 47	\$ 81	\$ 46	\$ 74

(1) For calculating the royalty to LIORC.

(2) Excludes third party ore sales.

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

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

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

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

IOC sells CFS based on the 65% Fe index. In the second quarter of 2023, the 65% Fe index averaged US\$124 per tonne, a 23% decrease over the average of US\$160 per tonne in the

# MANAGEMENT'S DISCUSSION AND ANALYSIS

second quarter of 2022. Iron ore prices decreased, predominantly as a result of lower global steel production, and continuing concerns over China's economy and its property sector, in particular. The monthly pellet premium averaged US\$47 per tonne in the second quarter of 2023, down 42% from an average of US\$81 per tonne in the same quarter of 2022.

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\$125 per tonne in the second quarter of 2023, compared to approximately US\$168 per tonne in the second quarter of 2022 and US\$136 per tonne in the first quarter of 2023. The decrease in the average realized price FOB Sept-Îles in 2023 was a result of lower CFS prices and lower pellet prices (comprised of lower iron ore index pricing and lower pellet premiums).

## **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 \$0.64 for the quarter (2022 – \$0.64).

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 dividends to shareholders.

The following reconciles standardized cash flow from operating activities to adjusted cash flow.

	<b>3 Months Ended Jun. 30, 2023</b>	<b>3 Months Ended Jun. 30, 2022</b>	<b>6 Months Ended Jun. 30, 2023</b>	<b>6 Months Ended Jun. 30, 2022</b>
	<i>(in millions except for per share information)</i>			
Standardized cash flow from operating activities	\$ 40.9	\$ 41.1	\$ 60.4	\$ 45.2
Changes in amounts receivable, accounts payable and income taxes payable	7.4	15.3	14.0	41.0
Adjusted cash flow	\$ 48.3	\$ 56.4	\$ 74.4	\$ 86.2
Adjusted cash flow per share	\$ 0.75	\$ 0.88	\$ 1.16	\$ 1.35

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Liquidity and Capital Resources**

The Corporation had \$23.5 million in cash as at June 30, 2023 (December 31, 2022 – \$39.9 million) with total current assets of \$82.6 million (December 31, 2022 – \$83.0 million). The Corporation had working capital of \$29.8 million as at June 30, 2023 (December 31, 2022 – \$28.9 million). The Corporation's operating cash flow was \$40.9 million and the dividend paid during the quarter was \$32 million, resulting in cash balances increasing by \$8.9 million during the second quarter of 2023. In June the Directors of the Corporation declared the second quarter dividend of \$41.6 million that was paid on July 26, 2023.

Cash balances consist of deposits in Canadian dollars with a Canadian chartered bank. 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 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 18, 2025 with provision for annual one-year extensions. No amount is currently drawn under this facility (2022 – nil) leaving \$30.0 million available to provide for any capital required by IOC or requirements of the Corporation.



John F. Tuer  
President and Chief Executive Officer

Toronto, Ontario  
August 2, 2023

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **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-looking statements are made as of the date of this report and LIORC assumes no obligation, except as required by law, to update any forward-looking statements to reflect new events or circumstances. This report should be viewed in conjunction with LIORC's other publicly available filings, copies of which can be obtained electronically on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Notice:**

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

# LABRADOR IRON ORE ROYALTY CORPORATION

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(in thousands of Canadian dollars)</i>	<b>As at</b>	
	<b>June 30, 2023</b>	<b>December 31, 2022</b>
	<i>(Unaudited)</i>	
<b>Assets</b>		
Current Assets		
Cash	\$ 23,520	\$ 39,904
Amounts receivable (note 4)	54,686	42,758
Income taxes recoverable	4,404	357
Total Current Assets	82,610	83,019
Non-Current Assets		
Iron Ore Company of Canada (“IOC”) royalty and commission interests	225,872	228,918
Investment in IOC (note 5)	528,927	513,828
Total Non-Current Assets	754,799	742,746
Total Assets	\$ 837,409	\$ 825,765
<b>Liabilities and Shareholders’ Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 11,246	\$ 9,286
Dividend payable	41,600	44,800
Total Current Liabilities	52,846	54,086
Non-Current Liabilities		
Deferred income taxes (note 6)	135,590	134,220
Total Liabilities	188,436	188,306
Shareholders’ Equity		
Share capital	317,708	317,708
Retained earnings	336,650	324,821
Accumulated other comprehensive loss	(5,385)	(5,070)
	648,973	637,459
Total Liabilities and Shareholders’ Equity	\$ 837,409	\$ 825,765

See accompanying notes to interim condensed consolidated financial statements.

Approved by the Directors,



John F. Tuer  
Director



Patricia M. Volker  
Director

# LABRADOR IRON ORE ROYALTY CORPORATION

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	<b>For the Three Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<i>(in thousands of Canadian dollars except for per share information)</i>		
<b>Revenue</b>		
IOC royalties	\$ 50,941	\$ 65,907
IOC commissions	433	423
Interest and other income	163	38
	51,537	66,368
<b>Expenses</b>		
Newfoundland royalty taxes	10,188	13,181
Amortization of royalty and commission interests	1,464	2,017
Administrative expenses	774	641
	12,426	15,839
<b>Income before equity earnings and income taxes</b>	39,111	50,529
<b>Equity earnings in IOC</b>	13,543	47,195
<b>Income before income taxes</b>	52,654	97,724
<b>Provision for income taxes</b> (note 6)		
Current	12,174	15,744
Deferred	(1,384)	3,551
	10,790	19,295
<b>Net income for the period</b>	41,864	78,429
<b>Other comprehensive (loss) income</b>		
Share of other comprehensive (loss) income of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2023 – \$56; 2022 – \$989)	(315)	5,602
<b>Comprehensive income for the period</b>	\$ 41,549	\$ 84,031
<b>Net income per share</b>	\$ 0.65	\$ 1.23

See accompanying notes to interim condensed consolidated financial statements.

# LABRADOR IRON ORE ROYALTY CORPORATION

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	<b>For the Six months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<i>(Unaudited)</i>	
<i>(in thousands of Canadian dollars except for per share information)</i>		
<b>Revenue</b>		
IOC royalties	\$ 97,484	\$ 119,655
IOC commissions	792	776
Interest and other income	475	101
	<u>98,751</u>	<u>120,532</u>
<b>Expenses</b>		
Newfoundland royalty taxes	19,497	23,931
Amortization of royalty and commission interests	3,046	3,322
Administrative expenses	1,429	1,525
	<u>23,972</u>	<u>28,778</u>
<b>Income before equity earnings and income taxes</b>	74,779	91,754
<b>Equity earnings in IOC</b>	<u>35,360</u>	<u>87,574</u>
<b>Income before income taxes</b>	110,139	179,328
<b>Provision for income taxes (note 6)</b>		
Current	23,284	28,432
Deferred	1,426	9,221
	<u>24,710</u>	<u>37,653</u>
<b>Net income for the period</b>	<u>85,429</u>	<u>141,675</u>
<b>Other comprehensive (loss) income</b>		
Share of other comprehensive (loss) income of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2023 – \$56; 2022 – \$989)	(315)	5,602
<b>Comprehensive income for the period</b>	<u>\$ 85,114</u>	<u>\$ 147,277</u>
<b>Basic and diluted income per share</b>	<u>\$ 1.33</u>	<u>\$ 2.21</u>

See accompanying notes to interim condensed consolidated financial statements.

# LABRADOR IRON ORE ROYALTY CORPORATION

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>For the Six months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<i>(Unaudited)</i>	
<i>(in thousands of Canadian dollars)</i>		
<b>Net inflow (outflow) of cash related to the following activities</b>		
<b>Operating</b>		
Net income for the period	\$ 85,429	\$ 141,675
Items not affecting cash:		
Equity earnings in IOC	(35,360)	(87,574)
Current income taxes	23,284	28,432
Deferred income taxes	1,426	9,221
Amortization of royalty and commission interests	3,046	3,322
Common share dividends from IOC	19,890	19,551
Change in amounts receivable	(11,928)	(21,112)
Change in accounts payable	1,960	3,698
Income taxes paid	(27,331)	(52,000)
Cash flow from operating activities	60,416	45,213
<b>Financing</b>		
Dividends paid to shareholders	(76,800)	(105,600)
Cash flow used in financing activities	(76,800)	(105,600)
<b>Decrease in cash, during the period</b>	(16,384)	(60,387)
<b>Cash, beginning of period</b>	39,904	82,913
<b>Cash, end of period</b>	\$ 23,520	\$ 22,526

See accompanying notes to interim condensed consolidated financial statements.

# LABRADOR IRON ORE ROYALTY CORPORATION

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(in thousands of Canadian dollars except share amounts)</i>	<b>Common shares</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive loss</b>	<b>Total</b>
	<i>(Unaudited)</i>				
Balance as at December 31, 2021	64,000,000	\$ 317,708	\$ 257,772	\$ (11,420)	\$ 564,060
Net income for the period	—	—	141,675	—	141,675
Dividends declared to shareholders	—	—	(89,600)	—	(89,600)
Share of other comprehensive income from investment in IOC (net of taxes)	—	—	—	5,602	5,602
Balance as at June 30, 2022	64,000,000	\$ 317,708	\$ 309,847	\$ (5,818)	\$ 621,737
Balance as at December 31, 2022	64,000,000	\$ 317,708	\$ 324,821	\$ (5,070)	\$ 637,459
Net income for the period	—	—	85,429	—	85,429
Dividends declared to shareholders	—	—	(73,600)	—	(73,600)
Share of other comprehensive loss from investment in IOC (net of taxes)	—	—	—	(315)	(315)
Balance as at June 30, 2023	64,000,000	\$ 317,708	\$ 336,650	\$ (5,385)	\$ 648,973

See accompanying notes to interim condensed consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

---

(in thousands of Canadian dollars)

## 1. Corporate Information

Labrador Iron Ore Royalty Corporation (the “Corporation”) directly and through its wholly-owned subsidiary, Hollinger Hanna Limited (“Hollinger-Hanna”), holds a 15.10% equity interest in Iron Ore Company of Canada (“IOC”), a 7% gross overriding royalty on all iron ore products produced, sold and shipped by IOC, and a \$0.10 per tonne commission interest and certain lease interests and, accordingly, is economically dependent on IOC. The Corporation is listed on the Toronto Stock Exchange under the symbol LIF. The registered office of the Corporation is 235 Water Street, P.O. Box 610, St. John’s, Newfoundland and Labrador, A1C 5L3.

### Seasonality

The results of operations and operating cash flows of the Corporation vary considerably from quarter to quarter. The operations of the Corporation are dependent on the royalty and commission revenues from IOC, whose production and revenues are not constant throughout the year, being lower during the winter months when the St. Lawrence Seaway is closed. The results reported in these interim condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

## 2. Basis of Presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed.

These interim condensed consolidated financial statements and management’s discussion and analysis were authorized for issuance by the Board of Directors of the Corporation on August 2, 2023.

## 3. Significant Accounting Policies

These interim condensed consolidated financial statements have been prepared using the same accounting policies as the annual consolidated financial statements for the year ended December 31, 2022. The disclosure in these interim condensed consolidated financial statements does not include all requirements of IAS 1 *Presentation of Financial Statements*. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

---

## (a) Changes in accounting policy

A number of amendments to existing standards became effective January 1, 2023 but they did not have an effect on the Corporation's financial statements.

## (b) New standards and interpretations not yet adopted

A number of amendments to existing standards are not yet effective for the period ended June 30, 2023 and have not been applied in preparing these interim condensed consolidated financial statements. The Corporation does not intend to early adopt any of the amendments and does not expect them to have a material impact on its financial statements.

## 4. Amounts Receivable

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
IOC royalties	\$ 54,321	\$ 42,482
IOC commissions	105	150
Other	261	126
	<u>\$ 54,686</u>	<u>\$ 42,758</u>

## 5. Investment in IOC

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Investment in IOC, beginning of period	\$ 513,828	\$ 421,376
Equity earnings in IOC	35,360	154,103
Other comprehensive income of IOC	(371)	7,471
Common share dividend received	(19,890)	(69,122)
Investment in IOC, end of period	<u>\$ 528,927</u>	<u>\$ 513,828</u>

The excess of cost of the Investment in IOC over the book value of underlying net assets amounts to \$38,609 as at June 30, 2023 (December 31, 2022 – \$39,152) and is being amortized to net income on the units-of-production method based on actual production in the current year and estimated production of iron ore over the life of mine at IOC.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. Income Taxes

The provision for income taxes in the statements of comprehensive income differs from the amount computed by applying the combined Canadian federal and provincial tax rate to the Corporation's income before income taxes. The reasons for the difference and the related tax effects are as follows:

	<b>For the Three Months Ended June 30, 2023</b>		<b>For the Six Months Ended June 30, 2022</b>	
Income before income taxes	\$ 52,654	\$ 97,724	\$ 110,139	\$ 179,328
Income taxes at combined federal and provincial statutory tax rates of 30.0%	15,796	29,317	33,042	53,798
(Decrease) increase in income taxes resulting from:				
Undistributed equity earnings in investment in IOC	(2,031)	(7,079)	(5,304)	(13,136)
Equity earnings distributed as dividends	(2,984)	(2,933)	(2,984)	(2,933)
Other	9	(10)	(44)	(76)
Income tax expense	<u>\$ 10,790</u>	<u>\$ 19,295</u>	<u>\$ 24,710</u>	<u>\$ 37,653</u>

The deferred tax liability is comprised of the following:

	<b>Opening Balance</b>	<b>Recognized in net income</b>	<b>Recognized in other comprehensive income</b>	<b>Closing Balance</b>
<b>December 31, 2022</b>				
Difference in tax and book value of assets	\$ 122,689	\$ 10,816	\$ 1,121	\$ 134,626
Tax benefit of deductible temporary differences	(449)	43	—	(406)
Net deferred income tax liability	<u>\$ 122,240</u>	<u>\$ 10,859</u>	<u>\$ 1,121</u>	<u>\$ 134,220</u>
<b>June 30, 2023</b>				
Difference in tax and book value of assets	\$ 134,626	\$ 1,409	\$ (56)	\$ 135,979
Tax benefit of deductible temporary differences	(406)	17	—	(389)
Net deferred income tax liability	<u>\$ 134,220</u>	<u>\$ 1,426</u>	<u>\$ (56)</u>	<u>\$ 135,590</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

---

## 7. Key Management Personnel Compensation

Key management personnel are the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, the Secretary and directors. Their remuneration for the three months ended June 30, 2023 was comprised of salaries, Restricted Share Units (“RSUs”), and fees totaling \$331 (2022 – \$218). Their remuneration for the six months ended June 30, 2023 was comprised of salaries, RSUs, and fees totaling \$622 (2022 – \$659).

## 8. Share-based payments

On March 15, 2018, the Corporation adopted a restricted share unit plan (“Plan”) for its employees that uses notional units that are valued based on the Corporation’s common share price on the Toronto Stock Exchange. The RSUs accumulate dividend equivalents in the form of additional units based on the dividends paid on the Corporation’s common shares. The Plan is settled in cash and, as a result, is classified as a liability. Fluctuations in the Corporation’s share price change the value of the RSUs, which affects the Corporation’s compensation expense.

As at June 30, 2023, there were 11,265 (2022 – 13,113) RSUs awarded and outstanding. For the three month and six month period ended June 30, 2023, compensation expense (recovery) of approximately \$44 (2022 – \$(34)) and \$76 (2022 – \$154) were accrued in connection with the RSUs.

# CORPORATE INFORMATION

---

## Administration and Investor Relations

PO Box 957, 31 Adelaide St. E  
Toronto, Ontario  
M5C 2K3  
Telephone: (416) 362-0066

## Directors

**William H. McNeil**<sup>(1)</sup>

Company Director

**Mark J. Fuller**<sup>(2)(3)</sup>

President and CEO of  
Ontario Pension Board

**Douglas F. McCutcheon**<sup>(2)</sup>

President of  
Longview Asset Management Ltd

**Dorothea E. Mell**<sup>(2)</sup>

Company Director

**Sandra L. Rosch**

Executive Vice President  
Labrador Iron Ore Royalty Corporation

**John F. Tuer**

President and Chief Executive Officer  
Labrador Iron Ore Royalty Corporation

**Patricia M. Volker**<sup>(2)</sup>

Company Director

## Officers

**John F. Tuer**

President and Chief Executive Officer

**Sandra L. Rosch**

Executive Vice President

**Alan R. Thomas**

Chief Financial Officer

**Robert O. Hansen**

Secretary

(1) *Chair of the Board*

(2) *Member of Audit and Governance and  
Human Resources Committees*

(3) *Lead Director*

## Registrar & Transfer Agent

Computershare Investor Services Inc.  
100 University Avenue  
Toronto, Ontario  
M5J 2Y1

## Legal Counsel

McCarthy Tétrault LLP  
Toronto, Ontario

## Auditors

KPMG LLP  
Toronto, Ontario

## Stock Exchange Listing

The Toronto Stock Exchange

## Symbol

LIF

## Website

[www.labradorironore.com](http://www.labradorironore.com)

## E-mail

[investor.relations@labradorironore.com](mailto:investor.relations@labradorironore.com)

**Labrador Iron Ore  
Royalty Corporation**

PO Box 957, 31 Adelaide St. E  
Toronto, ON  
M5C 2K3

**Telephone** (416) 362-0066