LABRADOR IRON ORE
ROYALTY CORPORATION

219

FIRST QUARTER REPORT

81 YEARS IN LABRADOR WEST

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 first quarter report for the period ended March 31, 2019.

Royalty revenue for the first quarter of 2019 amounted to $38.5 million as compared to $33.8 million for the first quarter of 2018. Equity earnings from Iron Ore Company of Canada ("IOC") amounted to $22.4 million or $0.35 per share in the first quarter of 2019 as compared to $14.6 million or $0.23 per share in the first quarter of 2018. Net income was $39.3 million or $0.61 per share for the first quarter of 2019 compared to $30.3 million or $0.47 per share for the same period in 2018. Cash flow from operations for the first quarter was $25.0 million or $0.39 per share as compared to $20.3 million or $0.32 per share for the same period in 2018.

The cash flow from operations, equity earnings and net income for the first quarter of 2019 were higher than the first quarter of 2018, despite lower sales of concentrate, as a result of higher prices for concentrate and pellets. The average price for the Platts index for 62% Fe Iron Ore, CFR China ("62% Fe index") increased 12% to US$83 per tonne in the first quarter of 2019 compared to the average price in the first quarter of 2018 of US$74 per tonne. Total IOC's sales for calculating the royalty to LIORC – concentrate for sale ("CFS") plus pellets of 3.5 million tonnes – was 9% lower in the first quarter of 2019 compared to the same period in 2018, largely as a result of CFS tonnages being 39% lower than in the same period in 2018. The pellet sales tonnages in the first quarter of 2019 were 6% higher than in the first quarter of 2018.

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

(in millions except per share information)	**3 Months Ended Mar. 31, 2019**	**3 Months Ended Mar. 31, 2018**
	(Unaudited)	
Revenue	$ 39.2	$ 34.3
Cash flow from operations	$ 25.0	$ 20.3
Operating cash flow per share	$ 0.39	$ 0.32
Net income	$ 39.3	$ 30.3
Net income per share	$ 0.61	$ 0.47

Iron Ore Company of Canada Operations

Production

Frozen material and blocked feeders in the ore barn as a result of adverse weather in January and February caused various delays which lowered production. There were also delays associated with starting the mine development program with a new contractor in 2019. These were partially offset by higher production in March, mainly due to higher than plan weight yield and robust feed from the mine. As a result, total concentrate production in the first quarter of 2019 of 4.4 million tonnes was 7% higher than the first quarter of 2018. As is usual for the first quarter of any year, due to weather, concentrate production in the first quarter of 2019 was 12% lower than the fourth quarter of 2018.

The lower than budgeted concentrate production in the first quarter primarily affected CFS production since pellet production was favoured due to continued strong demand and premiums. CFS production in the first quarter of 2019 of 1.5 million tonnes was 11% higher than in the first quarter of 2018 and 38% lower than the previous quarter. Pellet production in the first quarter of 2019 of 2.7 million tonnes was 2% higher than the first quarter of 2018 and 13% higher than the previous quarter. The pellet plant production in the first quarter of 2019 was negatively impacted by unplanned maintenance to induration machine #1, while lower pellet production than budgeted in the fourth quarter of 2018 was mainly due to the rebuild of induration machine #4, which was deferred from the second quarter of 2018 due to the strike.

Sales as Reported for the LIORC Royalty

First quarter 2019 total iron ore tonnage sold by IOC (CFS plus pellets) of 3.5 million tonnes was 9% lower in the first quarter of 2019 compared to the same period in 2018, largely as a result of CFS tonnage being 39% lower than in the same period in 2018. Despite higher CFS production in the first quarter of 2019 than in the same period in 2018, sales of CFS were lower in the first quarter of 2019 compared to the first quarter of 2018 due to timing differences. In the first quarter of 2019, the pellet sales tonnage was 6% higher than in the first quarter of 2018.

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 6% to US$95 per tonne in the first quarter of 2019 compared to the average price in the first quarter of 2018 of US$90 per tonne. The seaborne iron ore prices were affected by a reduction of iron ore supply by Vale as a result of the collapse of the tailings dam at Vale’s Córrego do Feijão mine in Brumadinho, Minas Gerais state, Brazil (“Brumadinho”) and subsequent closing of other dams. The premium for the 65% Fe index compared to the 62% Fe index, which had been expanding over the last few years as the Chinese governments enacted and enforced measures to reduce pollution, declined somewhat in the first quarter of 2019 to 15%, as compared to 22% in the first quarter of 2018. The quarterly Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US$67 per tonne in the first quarter of 2019, a 16% increase over the first quarter of 2018 and 10% higher than the fourth quarter of 2018.

The Canadian dollar was 5% weaker in the first quarter of 2019 as compared to the first quarter of 2018. As a result of higher concentrate and pellet prices, and the effect of the weaker Canadian dollar, somewhat offset by reduced concentrate sales tonnages, the royalty revenue for LIORC in the first quarter of 2019 was 14% higher than the royalty revenue in last year’s first quarter.

Report to Holders of Common Shares

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

	3 Months Ended Mar. 31, 2019	3 Months Ended Mar. 31, 2018	Year Ended Dec. 31, 2018
Pellets	2.70	2.54	8.41
Concentrates(1)	0.83	1.35	6.70
Total(2)	3.53	3.89	15.10

(1) Excludes third party ore sales

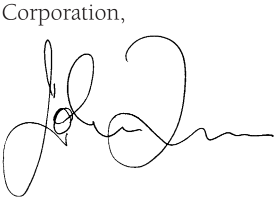
(2) Totals may not add up due to rounding

Outlook

The outlook for LIORC remains positive. Rio Tinto's 2019 guidance for IOC's saleable production of CFS and pellets remains unchanged at between 19.2 and 20.9 million tonnes on a 100% basis. Benchmark amounts for concentrate and pellet premiums remain attractive. The Brumadinho dam failure on January 25, 2019 and subsequent closures resulted in approximately 10% of the world's iron ore pellet production being removed from the market. The major suppliers of pellets are generally operating at near planned capacity with no new pellet plants or additional capacity coming on line in the short or medium term. In addition, long-term fundamental changes, such as China taking action to reduce the effects of pollution and placing a greater emphasis on producing higher quality steel products, could provide continued support for higher quality iron ore products, like those sold by IOC. LIORC can expect strong royalty revenue and the possibility of IOC dividends, if these market conditions continue.

The LIORC cash balance at March 31, 2019 stood at $67.1 million before LIORC dividends payable on April 25, 2019 of $1.05 per share or $67.2 million. The net royalty from IOC was paid on the same date, maintaining the Corporation's strong cash balance. On May 9, 2019 the Board of IOC declared a dividend of US$125 million, payable to shareholders of IOC on May 23, 2019.

Respectfully submitted on behalf of the Directors of Labrador Iron Ore Royalty Corporation,



John F. Tuer
President and Chief Executive Officer
May 13, 2019

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis section of the Corporation's 2018 Annual Report, and the financial statements and notes contained therein and the March 31, 2019 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 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.

Royalty revenue for the first quarter of 2019 amounted to $38.5 million as compared to $33.8 million for the first quarter of 2018. Equity earnings from IOC amounted to $22.4 million or $0.35 per share in the first quarter of 2019 as compared to $14.6 million or $0.23 per share in the first quarter of 2018. Net income was $39.3 million or $0.61 per share for the first quarter of 2019 compared to $30.3 million or $0.47 per share for the same period in 2018. Cash flow from operations for the first quarter was $25.0 million or $0.39 per share as compared to $20.3 million or $0.32 per share for the same period in 2018.

The cash flow from operations, equity earnings and net income for the first quarter of 2019 were higher than the first quarter of 2018, despite lower sales of concentrate, as a result of higher prices for concentrate and pellets. The average price for the 62% Fe index increased 12% to US$83 per tonne in the first quarter of 2019 compared to the average price in the first quarter of 2018 of US$74 per tonne. Total IOC's sales for calculating the royalty to LIORC – CFS plus pellets of 3.5 million tonnes – was 9% lower in the first quarter of 2019 compared to the same period in 2018, largely as a result of CFS tonnages being 39% lower than in the same period in 2018. The pellet sales tonnages in the first quarter of 2019 were 6% higher than in the first quarter of 2018.

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The following table sets out quarterly revenue, net income, cash flow and dividend data for 2019, 2018 and 2017.

	Revenue	Net Income	Net Income per Share	Cash Flow	Cash Flow from Operations per Share	Adjusted Cash Flow per Share(1)	Dividends Declared per Share
	(in millions except per share information)						
2019							
First Quarter	$ 39.2	$ 39.3	$ 0.61	$ 25.0	$ 0.39	$ 0.34	$ 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(2)	$ 0.93(2)	$ 1.30(2)	$ 0.55
Fourth Quarter	$ 46.8	$ 43.4	$ 0.68	$ 53.3(3)	$ 0.83(3)	$ 0.79(3)	$ 0.60
2017							
First Quarter	$ 43.4	$ 42.9	$ 0.67	$ 28.2(4)	$ 0.44(4)	$ 0.53(4)	$ 0.50
Second Quarter	$ 34.2	$ 32.3	$ 0.50	$ 45.6(5)	$ 0.71(5)	$ 0.53(5)	$ 0.60
Third Quarter	$ 40.4	$ 43.8	$ 0.69	$ 53.6(6)	$ 0.84(6)	$ 0.85(6)	$ 1.00
Fourth Quarter	$ 40.6	$ 38.3	$ 0.60	$ 39.6(7)	$ 0.62(7)	$ 0.65(7)	$ 0.55

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

(2) *Includes $58.6 million IOC dividend.*

(3) *Includes $25.3 million IOC dividend.*

(4) *Includes $10.0 million IOC dividend.*

(5) *Includes $15.2 million IOC dividend.*

(6) *Includes $32.2 million IOC dividend.*

(7) *Includes $19.3 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 $0.39 for the quarter (2018 – $0.32). Cumulative standardized cash flow from inception of the Corporation is $27.86 per share and total cash distributions since inception is $27.39 per share, for a payout ratio of 98%.

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, 2019	3 Months Ended Mar. 31, 2018
Standardized cash flow from operating activities	$ 24,963	$ 20,277
Changes in amounts receivable, accounts payable and income taxes payable	(3,451)	(1,591)
Adjusted cash flow	$ 21,512	$ 18,686
Adjusted cash flow per share	$ 0.34	$ 0.29

Liquidity and Capital Resources

The Corporation had $67.1 million in cash as at March 31, 2019 (December 31, 2018 – $80.5 million) with total current assets of $107.4 million (December 31, 2018 – $127.0 million). The Corporation had working capital of $30.4 million as at March 31, 2019 (December 31, 2018 – $76.3 million). The Corporation's operating cash flow for the quarter was $25.0 million and the dividend paid during the quarter was $38.4 million, resulting in cash balances decreasing by $13.4 million during the first quarter of 2019.

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 had increased its cash balance based on the directors' view that it was prudent at that particular time to have some additional financial flexibility. On March 7, 2019 the directors determined that the cash balance be reduced to a more typical level with excess cash distributed to shareholders by means of a special dividend to be paid on April 25, 2019.

The Corporation has a $50 million revolving credit facility with a term ending September 18, 2021 with provision for annual one-year extensions. No amount is currently drawn under this facility (2018 – nil) leaving $50.0 million available to provide for any capital required by IOC or requirements of the Corporation.

Outlook

The outlook for LIORC remains positive. Rio Tinto's 2019 guidance for IOC's saleable production of CFS and pellets remains unchanged at between 19.2 and 20.9 million tonnes on a 100% basis. Benchmark amounts for concentrate and pellet premiums remain attractive. The Brumadinho dam failure on January 25, 2019 and subsequent closures resulted in approximately 10% of the world's iron ore pellet production being removed from the market. The major suppliers of pellets are generally operating at near planned capacity with no new pellet plants or additional capacity coming on line in the short or medium term. In addition, long-term fundamental changes, such as China taking action to reduce the effects of pollution and placing a greater emphasis on producing higher quality steel products, could provide continued support for higher quality iron ore products, like those sold by IOC. LIORC can expect strong royalty revenue and the possibility of IOC dividends, if these market conditions continue.

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John F. Tuer
President and Chief Executive Officer
Toronto, Ontario
May 13, 2019

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, the renewal of the mining leases, outcomes of existing or future litigation, relationships with aboriginal groups, changes affecting IOC's customers, competition from other iron ore producers, estimates of reserves and resources and government regulation and taxation. A discussion of these factors is contained in LIORC's annual information form dated March 7, 2019 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:

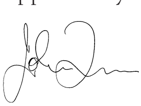
The following unaudited interim condensed consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not reviewed these interim financial statements.

Labrador Iron Ore Royalty Corporation
Interim Condensed Consolidated Statements of Financial Position

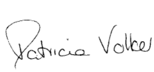
(in thousands of Canadian dollars)	As at **March 31, 2019**	 **December 31, 2018**
	(Unaudited)	
Assets		
Current Assets		
Cash and short-term investments	$ 67,058	$ 80,495
Amounts receivable (note 4)	40,348	46,548
Total Current Assets	107,406	127,043
Non-Current Assets		
Iron Ore Company of Canada (“IOC”) royalty and commission interests	252,239	253,846
Investment in IOC (note 5)	406,350	382,704
Total Non-Current Assets	658,589	636,550
Total Assets	$ 765,995	$ 763,593
Liabilities and Shareholders’ Equity		
Current Liabilities		
Accounts payable	$ 8,441	$ 9,969
Dividend payable	67,200	38,400
Taxes payable	1,392	2,613
Total Current Liabilities	77,033	50,982
Non-Current Liabilities		
Deferred income taxes (note 6)	124,910	121,760
Total Liabilities	201,943	172,742
Shareholders’ Equity		
Share capital	317,708	317,708
Retained earnings	252,815	280,759
Accumulated other comprehensive loss	(6,471)	(7,616)
	564,052	590,851
Total Liabilities and Shareholders’ Equity	$ 765,995	$ 763,593

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
Interim Condensed Consolidated Statements of Income and Comprehensive Income

(in thousands of Canadian dollars except for per share information)	For the Three Months Ended March 31, 2019	2018
	(Unaudited)	
Revenue		
IOC royalties	$ 38,496	$ 33,811
IOC commissions	348	383
Interest and other income	366	119
	39,210	34,313
Expenses		
Newfoundland royalty taxes	7,699	6,762
Amortization of royalty and commission interests	1,607	1,329
Administrative expenses	770	862
	10,076	8,953
Income before equity earnings and income taxes	29,134	25,360
Equity earnings in IOC	22,408	14,649
Income before income taxes	51,542	40,009
Provision for income taxes (note 6)		
Current	9,229	8,003
Deferred	2,964	1,755
	12,193	9,758
Net income for the period	39,349	30,251
Other comprehensive income (loss)		
Share of other comprehensive loss of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2019 – $202; 2018 – $5)	1,145	(27)
Comprehensive income for the period	$ 40,494	$ 30,224
Net income per share	$ 0.61	$ 0.47

See accompanying notes to interim condensed consolidated financial statements.

Labrador Iron Ore Royalty Corporation
Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	For the Three Months Ended March 31, 2019	2018
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	$ 39,349	$ 30,251
Items not affecting cash:		
Equity earnings in IOC	(22,408)	(14,649)
Current income taxes	9,229	8,003
Deferred income taxes	2,964	1,755
Amortization of royalty and commission interests	1,607	1,329
Change in amounts receivable	6,200	7,667
Change in accounts payable	(1,528)	(1,526)
Income taxes paid	(10,450)	(12,553)
Cash flow from operating activities	24,963	20,277
Financing		
Dividend paid to shareholders	(38,400)	(35,200)
Cash flow used in financing activities	(38,400)	(35,200)
Decrease in cash, during the period	(13,437)	(14,923)
Cash, beginning of period	80,495	40,498
Cash, end of period	$ 67,058	$ 25,575

See accompanying notes to interim condensed consolidated financial statements.

Labrador Iron Ore Royalty Corporation
Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)	**Share capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Total**
		(Unaudited)		
Balance as at December 31, 2017	$ 317,708	$ 264,272	$ (8,391)	$ 573,589
Net income for the period	—	30,251	—	30,251
Dividend declared to shareholders	—	(22,400)	—	(22,400)
Share of other comprehensive loss from investment in IOC (net of taxes)	—	—	(27)	(27)
Balance as at March 31, 2018	$ 317,708	$ 272,123	$ (8,418)	$ 581,413
Balance as at December 31, 2018	$ 317,708	$ 280,759	$ (7,616)	$ 590,851
Adjustment on initial application of IFRS 16 (note 3)		(93)		(93)
Net income for the period	—	39,349	—	39,349
Dividend 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

See accompanying notes to 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, delivered and shipped by IOC, a $0.10 per tonne commission interest on sales of iron ore by IOC 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. The Corporation adopted IFRS 16, *Leases* on January 1, 2019, and accordingly, certain accounting policies have changed in preparing these financial statements from those used for the December 31, 2018 audited financial statements of the Corporation. Changes to significant accounting policies are outlined in Note 3.

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 May 13, 2019.

3. Significant Accounting Policies

Except as noted below, 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, 2018. 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, 2018.

IFRS 16 Leases ("IFRS 16")

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. IFRS 16 does not apply to leases of mineral rights. The Corporation has no major leases but is impacted by the standard through its Investment in IOC.

Impact of transition to IFRS 16

IOC adopted IFRS 16 using the modified retrospective approach and accordingly, the information presented for 2017 has not been restated. It remains as previously reported under IAS 17 and related interpretations. IOC's lease agreements relate primarily to leases of residential real property, equipment and vehicles. On initial application, IOC recognized right-of-use assets of $12,333, lease obligations of $13,410 and a reduction to retained earnings of approximately $722. The impact on the Corporation was a decrease in investment in IOC of $109, a decrease in deferred income taxes of $16 and a decrease in retained earnings of $93.

4. Amounts Receivable

	March 31, 2019	**December 31, 2018**
IOC royalties	$ 39,881	$ 46,241
IOC commissions	133	178
Other	334	129
	$ 40,348	$ 46,548

5. Investment in IOC

The Corporation holds, directly and through Hollinger-Hanna, all of the Series B and Series C common shares of IOC, representing a 15.10% equity interest in IOC as at March 31, 2019 and December 31, 2018. The Series B and Series C common shares have identical voting rights to all other issued and outstanding common shares of IOC.

	March 31, 2019	December 31, 2018
Investment in IOC, beginning of period	$ 382,704	$ 408,691
Equity earnings in IOC	22,408	56,987
Other comprehensive income of IOC	1,347	912
Adjustment on initial application of IFRS 16 (note 3)	(109)	—
Common share dividend received	—	(83,886)
Investment in IOC, end of period	$ 406,350	$ 382,704

The net excess of cost of the Investment in IOC over the net book value of the Corporation's proportionate interest in the underlying net assets of IOC amounts to $43,136 as at March 31, 2019 (December 31, 2018 – $43,416) and is being amortized to net income on the units-of-production method based on production and mineral reserve and resource estimates at IOC.

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:

	For the Three Months Ended March 31,	
	2019	2018
Income before income taxes	$ 51,542	$ 40,009
Income taxes at combined federal and provincial statutory tax rates of 30.0%	15,463	12,003
(Decrease) increase in income taxes resulting from:		
Undistributed equity earnings in investment in IOC	(3,361)	(2,197)
Other	91	(48)
Income tax expense	$ 12,193	$ 9,758

The deferred tax liability is comprised of the following:

	Opening Balance	Recognized in net income	Recognized in other comprehensive income (loss)	Closing Balance
December 31, 2018				
Difference in tax and book value of assets	$ 127,885	$ (5,591)	$ 137	$ 122,431
Tax benefit of deductible temporary differences	(665)	(6)	—	(671)
Net deferred income tax liability	$ 127,220	$ (5,597)	$ 137	$ 121,760
March 31, 2019				
Difference in tax and book value of assets	$ 122,431	$ 2,882	$ 202	$ 125,515
Adjustment on initial application of IFRS 16 (note 3)	(16)	—	—	(16)
Tax benefit of deductible temporary differences	(671)	82	—	(589)
Net deferred income tax liability	$ 121,744	$ 2,964	$ 202	$ 124,910

7. Key Management Personnel Compensation

Key management personnel are the President and Chief Executive Officer, Executive Vice Presidents, the Chief Financial Officer, the Secretary and directors. Their remuneration for the three months ended March 31, 2019 was comprised of salaries, restricted share units (“RSUs”), and fees totaling $378 (2018 – $256).

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.

Under the Plan, selected employees receive an award of RSUs which vest in three equal installments on each of the first, second and third anniversary of the award date. Upon vesting all RSUs are paid in cash to the employee. The share-based payment expense is recognized evenly over the vesting period. As at March 31, 2019, there were 15,848 RSUs outstanding. For the three month period ended March 31, 2019, compensation expense of approximately $79 (2018 – $3) was accrued in connection with the RSUs.

Corporate Information

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Company Director

Mark J. Fuller(1)
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Ontario Pension Board

Duncan N.R. Jackman(1)
Chairman, President and CEO of
E-L Financial Corporation Limited

James C. McCartney
Executive Vice President,
Labrador Iron Ore Royalty Corporation
Retired Partner, McCarthy Tétrault LLP

William H. McNeil(1)
Company Director

Sandra L. Rosch
Executive Vice President,
Labrador Iron Ore Royalty Corporation

Patricia M. Volker(1)
Company Director

Officers

William J. Corcoran
Non- Executive Chairman of the Board

John F. Tuer
President and Chief Executive Officer

James C. McCartney
Executive Vice President

Sandra L. Rosch
Executive Vice President

Alan R. Thomas
Chief Financial Officer

Robert O. Hansen
Secretary

(1) Member of Audit, Nominating and Compensation Committees

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