



# **LABRADOR IRON ORE ROYALTY CORPORATION**

## **INVESTOR PRESENTATION**

**December 1, 2021**

# NOTICE TO READER

**All dollar figures are stated in Canadian (“CDN”) dollars unless noted otherwise.**

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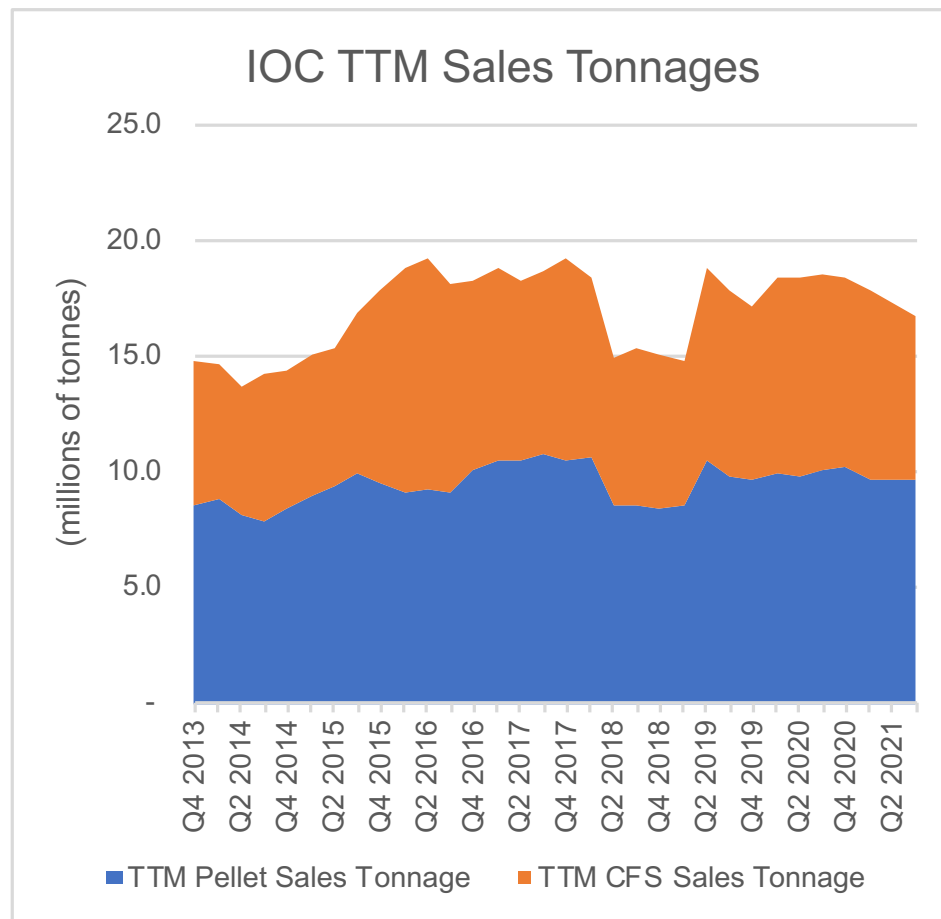
# LIORC OVERVIEW

- LIORC has a unique ownership interest in Iron Ore Company of Canada (IOC)
  - 15.1% equity in IOC
  - 7% top line royalty in IOC
  - 10¢ per tonne commission on all IOC sales
- IOC is a Leading Producer of Premium Iron Ore Pellets and High-Grade Concentrate
  - Large, high quality resource with a long mine life (24 years based on reserves only)
  - Significant infrastructure including concentrator, pellet plant, 418 km railway and port facilities
  - Competitive operating costs (over 50 years without a shut down due to market conditions)
  - World class operator – Rio Tinto



# IOC HISTORICAL SALES TONNAGES

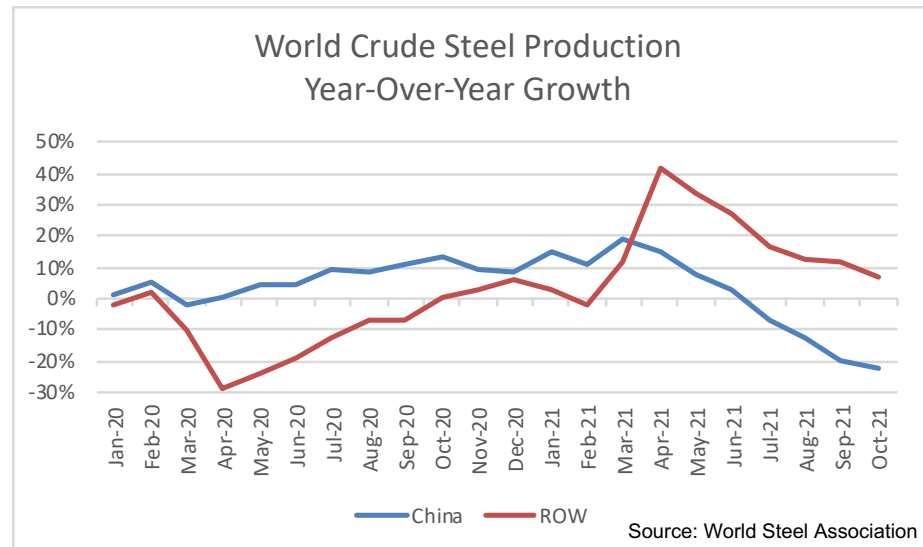
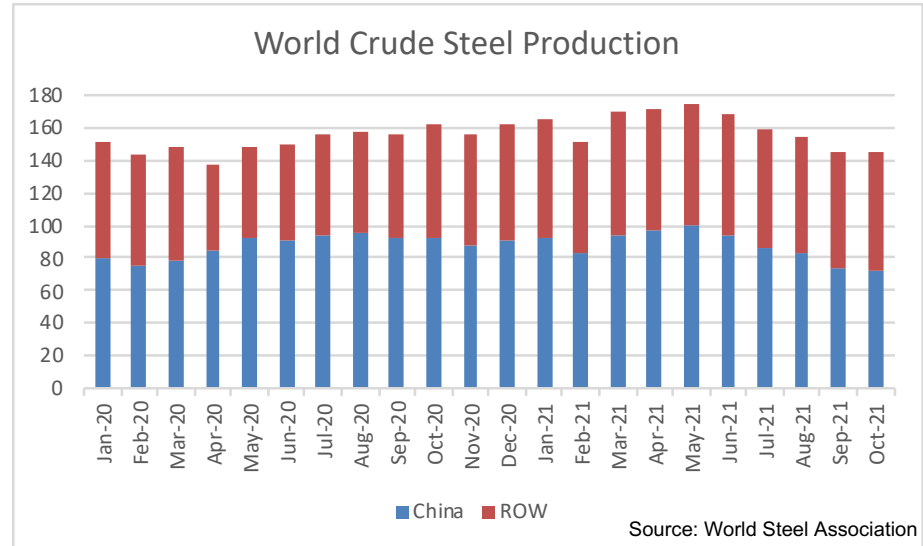
- IOC has capacity to produce 23 million tonnes of concentrate and 12.5 million tonnes of pellets
- Total IOC sales tonnages for the trailing twelve months was 16.8 million tonnes, down from 18.5 million tonnes a year ago, as IOC experienced certain operational issues
- IOC's TTM sales of pellets was 9.6 million tonnes, as compared to 10.1 million tonnes a year ago
- IOC's TTM sales of CFS was 7.1 million tonnes as compared to 8.43 million tonnes a year ago





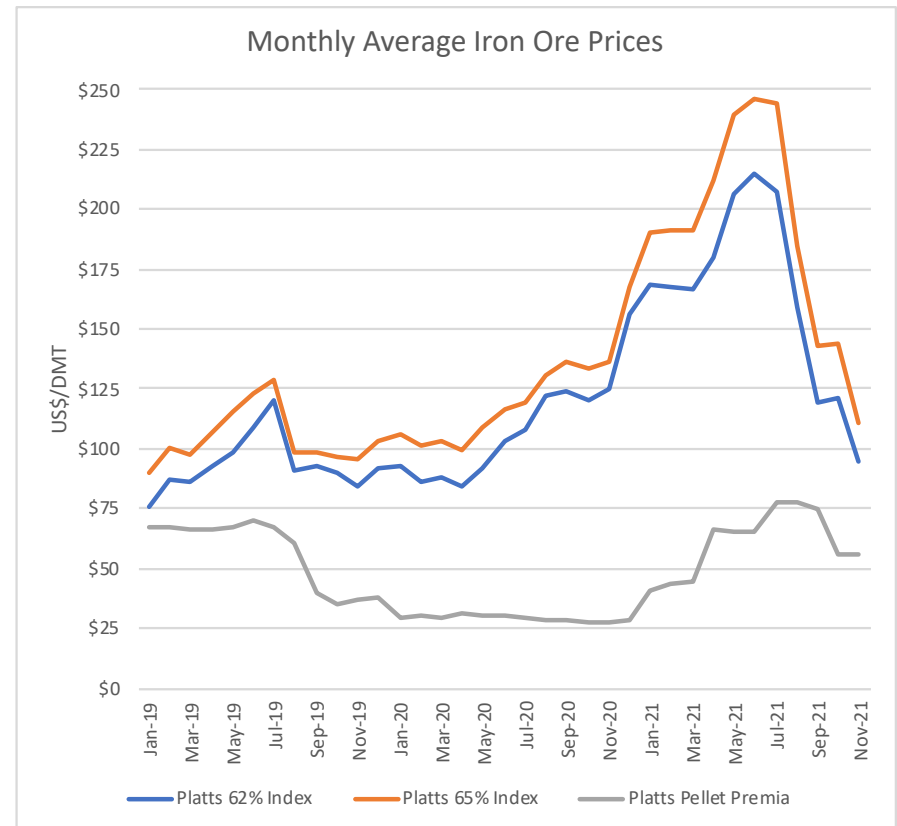
# GLOBAL STEEL MARKETS

- China accounts for over 50% of global steel production and over 70% of seaborne iron ore demand
- Steel production in China remained strong during the early phases of COVID
- More recently, authorities in China have curbed steel production in order to reduce emissions and lower input prices, including iron ore prices
- Steel production in the rest of the world has rebounded from the lows experienced last year due to COVID



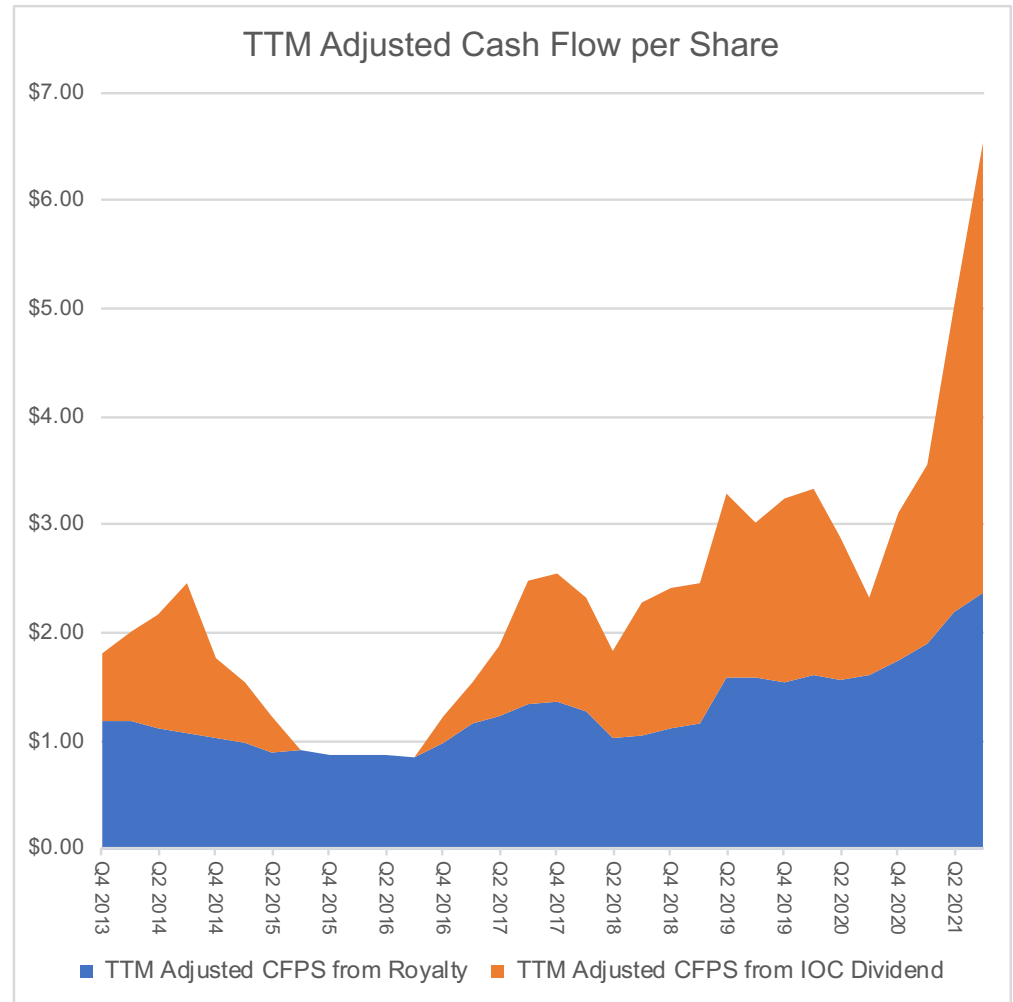
# IRON ORE PRICES

- Iron ore prices have been volatile, as a result of changes in the demand from China
- In the first 9 months of 2021, the Platts 65% Index averaged US\$204 per tonne, as compared to a 2020 annual average of US\$122
- The 65% Index reached a peak of US\$246 per tonne in June, 2021, but fell in November to US\$111
- Pellet prices have recovered from 2020 lows, when demand from European steel producers dropped
- In the first 9 months of 2021, pellet premiums averaged US\$62 per tonne, as compared to a 2020 annual average of US\$29



# LIORC HISTORICAL CASH FLOW

- Royalty and commissions have historically provided stable and growing after-tax cash flow per share
  - Average of \$1.34 per share per year
  - High of \$2.38 per share and low of \$0.84 per share
- IOC equity has provided significant additional upside in years where iron ore prices have been strong
  - Average of \$1.14 per share per year
  - High of \$4.15 per share and low of \$0.00 per share



# LIORC INVESTMENT RATIONALE

## IOC Strengths

- Leading producer of high quality, low impurity iron ore products (65% Fe) including higher margin pellets
- Large, high quality resource with a long mine life (>25 years based on reserves only)
- Stable jurisdiction
- World class operator - Rio Tinto
- Competitive operating costs and high margins (over 50 years without a shut down due to market conditions)
- Significant wholly owned infrastructure in place
  - Concentrator, pellet plant, 418 km railway and port facilities

## LIORC Strengths

- Attractive 7% top line royalty and 10¢ per tonne commission on all IOC sales
  - Royalty limits operational and capex risk, while benefiting from any production growth
- 15.1% equity investment in IOC provides additional upside to iron ore markets
  - IOC cash flows typically paid out as dividends
- Attractive yield
- Debt-free balance sheet
  - LIORC's net working capital position was \$21.6 million as at September 30, 2021