



# **LABRADOR IRON ORE ROYALTY CORPORATION**

## **INVESTOR PRESENTATION**

**January 26, 2023**

# NOTICE TO READER

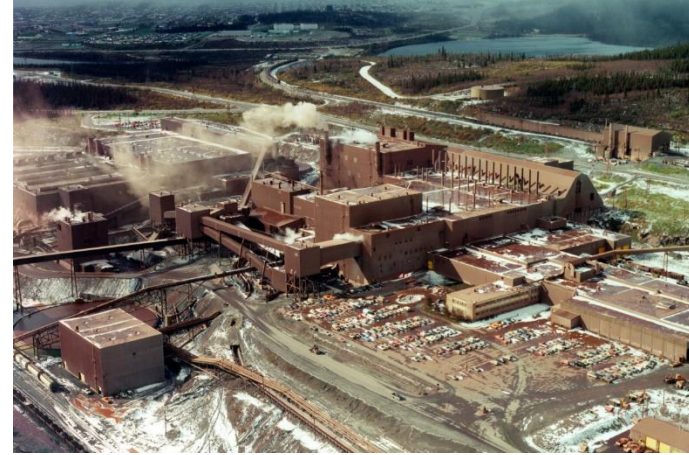
**All dollar figures are stated in Canadian (“CDN”) dollars unless noted otherwise.**

The information contained in this presentation is derived from publicly available sources, such as annual and quarterly financial reports and the annual information form filed by Labrador Iron Ore Royalty Corporation (“**LIORC**”) in accordance with applicable securities laws, Rio Tinto reports and releases, news reports and analysts’ reports. Certain market and pricing data contained in this presentation has been obtained from S&P Global Platts.

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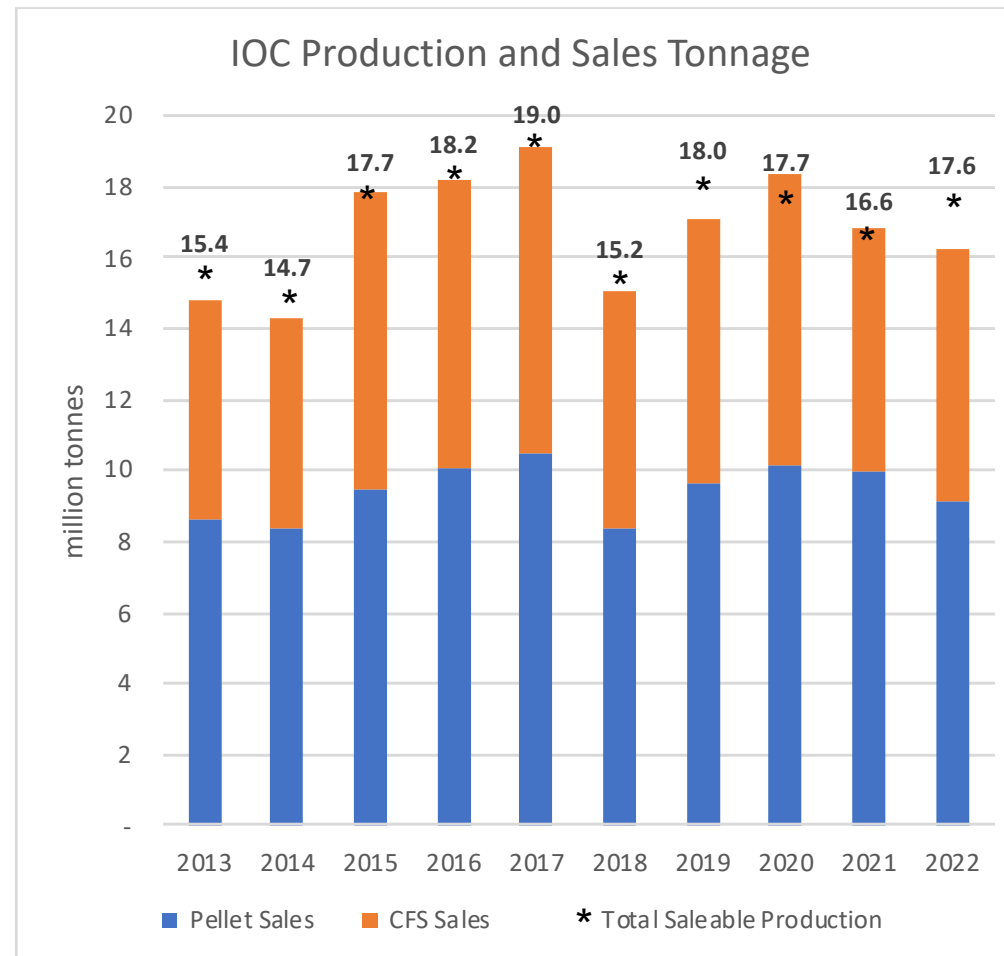
# LIORC OVERVIEW

- 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 (23 years based on reserves only)
  - Significant infrastructure including concentrator, pellet plant, and wholly owned 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



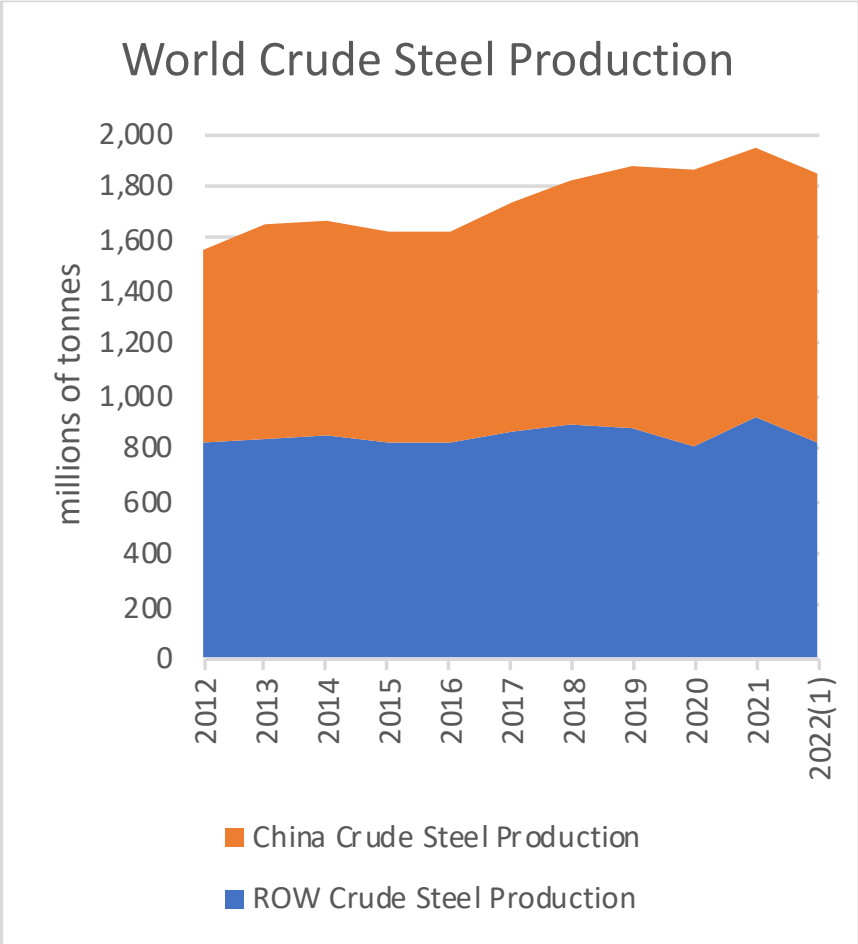
# IOC PRODUCTION AND SALES TONNAGES

- Total IOC saleable production for 2022 was 17.6M tonnes, up from 16.6M tonnes a year ago
- This continues to be short of name plate capacity of 23M tonnes of concentrate and 12.5M tonnes of pellets
- IOC has significantly increased its capital expenditure budget over the last few years as it focusses on improving its capital infrastructure and production output
- IOC's pellet and CFS sales tonnages were 16.3M tonnes in 2022, down from 16.8M tonnes a year ago, as delays in shipping caused increased inventory levels



# GLOBAL STEEL MARKETS

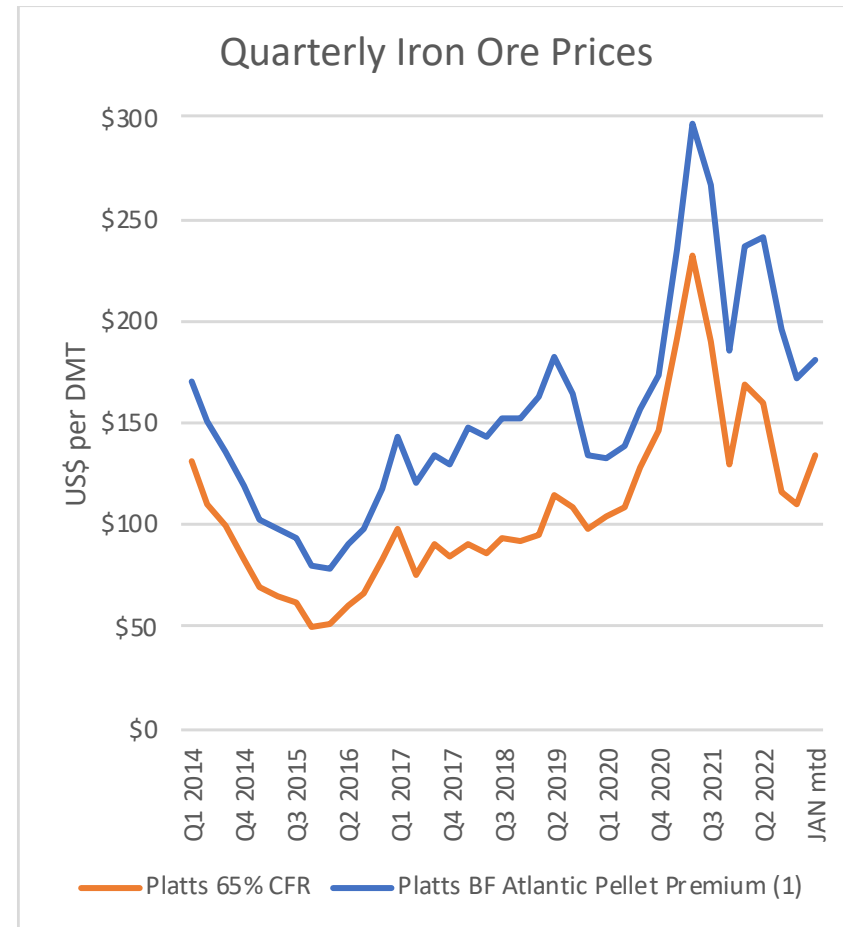
- Over the last 10 years, global steel production has grown at a rate of 1.7% per year
- China steel production, which has grown at a rate of 3.4% per year, accounts for all of this growth. China now represents 55% of global steel production and over 70% of seaborne iron ore demand
- In 2022, global steel production dropped by 5%, as higher inflation and global recessionary concerns reduced the demand for steel. Steel production was also negatively impacted by China's strict policy of COVID-19 lockdowns and concerns about China's property construction sector
- The World Steel Association is forecasting a 2.2% increase in global steel production for 2023



(1) 2022 represents TTM ending November 2022  
Source: World Steel Association

# IRON ORE PRICES

- As a result of the lower demand for steel, iron ore prices in 2022 declined from the record prices experienced in 2021
- In 2022, the Platts 65% Index averaged US\$139 per tonne, as compared to US\$185 per tonne in 2021 and US\$122 per tonne in 2020
- In January, 2023 the 65% Index has averaged US\$134 per tonne
- In 2022, pellet premiums averaged US\$72 per tonne, as compared to US\$60 per tonne in 2021 and US\$29 per tonne in 2020
- In January, 2023 the pellet premium is US\$46 per tonne, as lower steel margins have caused some producers to use cheaper lower quality iron ore inputs

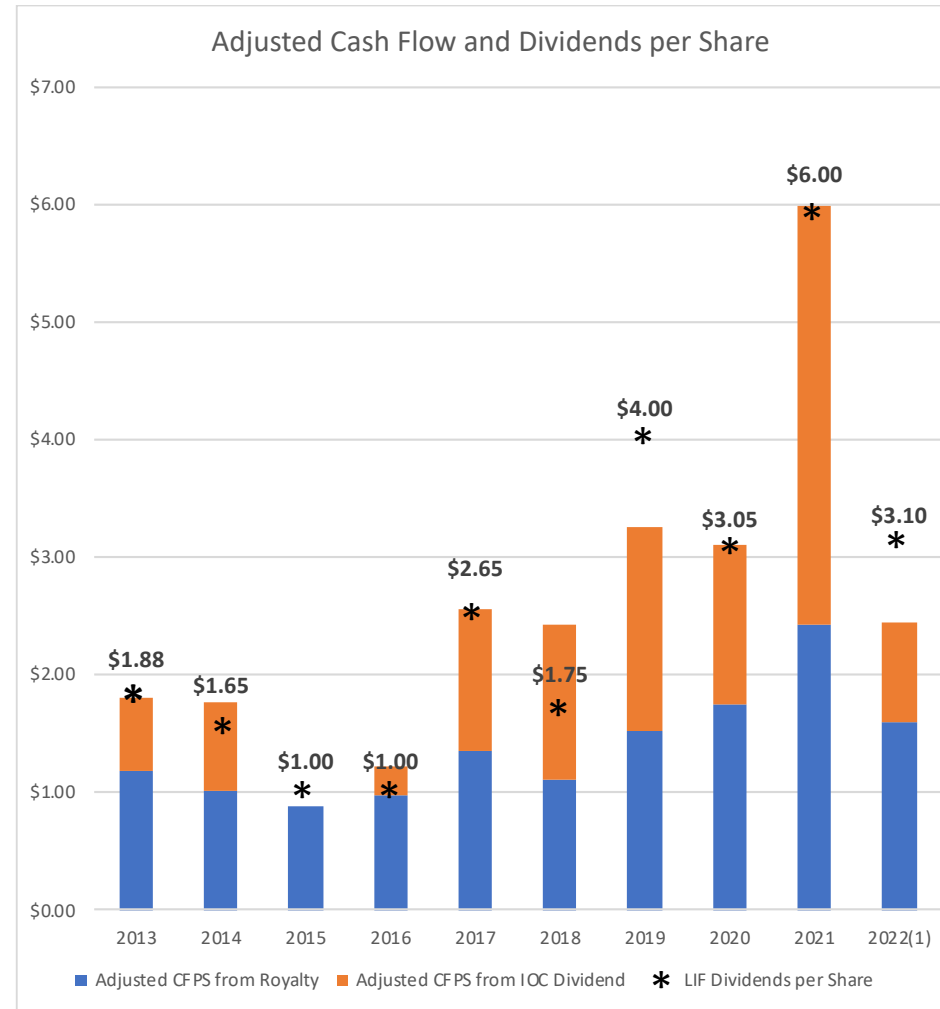


(1) The Platts pellet premium is calculated against the 62% Index, with adjustments made for Fe content. For simplicity and historical comparison purposes the above graph shows the Platts pellet premium added to the underlying 65% Index.

Source: S&P Global Platts

# LIORC HISTORICAL DIVIDENDS AND CASH FLOW

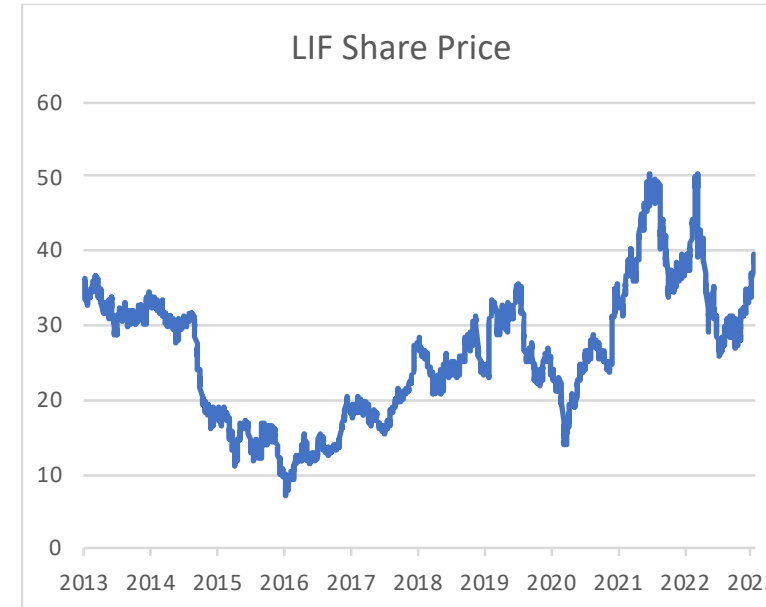
- LIORC has traditionally paid out all of the free cash flow it generates to its shareholders in the form of quarterly dividends
  - Average of \$3.58/share per year over the last 5 years
- The royalty has historically provided stable after-tax cash flow per share throughout the commodity cycle – protects the downside
- The IOC equity interest has provided significant additional upside in years when iron ore prices have been strong
  - High of \$3.56 per share in 2021



(1) Represents cash flow only from first 9 months of 2022

# LIORC SHAREHOLDER RETURNS

- Dividend yield mitigates share price volatility, which has produced strong total returns for shareholders over time
- In 2021, LIORC declared a record \$6.00 per share of dividends - \$3.10 per share in 2022
- LIORC has outperformed both the TSX Global Mining Index and the S&P/TSX Composite Index over the medium and long-term



## Average Annualized Returns (1)

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Labrador Iron Ore Royalty Corporation	8.2%	32.1%	19.7%	11.5%
TSX Global Mining Index (TR) (2)	16.5%	17.7%	13.8%	6.2%
S&P TSX Composite Index (TR) (2)	-1.2%	8.3%	7.8%	8.0%

(1) For periods ending January 18 2022

(2) As indicated on spglobal.com



# LIORC INVESTMENT RATIONALE

- High quality asset that supports attractive dividend yield
- Royalty structure limits operational and capex risk, while benefiting from any production growth
- Upside potential from increased production
  - Supported by significant capital expenditures over the last 2 years
- Additional rail revenues from increased QSNL third-party iron ore haulage
- Positive long-term outlook for steel demand from infrastructure development and global electrification
- Rational supply-side market dynamics
  - Top 4 producers control over 65% of the global seaborne iron ore market
- Global efforts to reduce GHG emissions provides significant opportunity for increased premiums for IOC's high quality, low impurity iron ore products, including DR pellets
- Debt-free balance sheet
  - LIORC's net working capital position was +\$31.8 million as at September 30, 2022