

**LABRADOR IRON ORE**  
ROYALTY CORPORATION

2024



**FIRST QUARTER  
REPORT**

**86 YEARS IN LABRADOR WEST**

# REPORT TO SHAREHOLDERS

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## ■ 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, 2024.

### Financial Performance

In the first quarter of 2024, LIORC’s financial results benefited from higher sales tonnages of pellets and concentrate for sale (“CFS”), partly offset by lower iron ore prices and pellet premiums. Royalty revenue for the first quarter of 2024 of \$56.0 million was 20% higher than the first quarter of 2023 and 3% higher than the fourth quarter of 2023. Equity earnings from Iron Ore Company of Canada (“IOC”) were \$34.3 million in the first quarter of 2024 compared to \$21.8 million in the first quarter of 2023 and \$26.2 million in the fourth quarter of 2023. Net income per share for the first quarter of 2024 was \$0.93 per share, which was a 36% increase over the same period in 2023 and a 15% increase over the fourth quarter of 2023. The adjusted cash flow per share for the first quarter of 2024 was \$0.49 per share, which was 20% higher than in the same period in 2023 and 4% higher than the fourth quarter of 2023. 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.

Ongoing uncertainty regarding the outlook for global steel demand and an unexpected increase in iron ore shipments from Brazil contributed to an almost 25% decrease in iron ore prices during the first quarter of 2024. According to the World Steel Association, global crude steel production was up 1% in the first quarter of 2024 compared to the first quarter of 2023. However, concerns regarding steel demand, particularly as a result of China’s troubled property sector and lower profit margins for steel producers has put pressure on the demand for higher quality iron ore and pellets. On the supply side, decreases in seaborne iron ore shipments from western Australia were offset by a 15% increase in iron ore shipments by Vale due to operational improvements during Brazil’s traditionally rainy season.

IOC sells concentrate for sale (“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 first quarter of 2024, the 65% Fe index averaged US\$136 per tonne, a 2% decrease over the prior quarter and a 3% decrease over the average of US\$140 per tonne in the first quarter of 2023. However, while the 65% Fe Index started the quarter at a robust US\$153 per tonne, it finished the quarter at US\$115 per tonne.

The monthly Atlantic Blast Furnace 65% Fe pellet premium index as quoted by Platts (the “pellet premium”) averaged US\$40 per tonne in the first quarter of 2024, down 12% from an average of US\$46 per tonne in the same quarter of 2023, as lower steel margins continued to cause steel producers to substitute higher quality pellets with less expensive lower quality

# REPORT TO SHAREHOLDERS

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iron ore. 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\$133 per tonne in the first quarter of 2024, compared to approximately US\$136 per tonne in the first quarter of 2023.

## Iron Ore Company of Canada Operations

### Operations

IOC concentrate production in the first quarter of 2024 of 4.7 million tonnes was 3% higher than the same quarter of 2023 and 5% lower than the fourth quarter of 2023. Concentrate production in the first quarter of 2024 benefited from a lower strip ratio as a result of changes in the mining sequence, which resulted in an increase in the amount of crushed ore that was delivered to the concentrator.

IOC saleable production (CFS plus pellets) of 4.4 million tonnes in the first quarter of 2024 was 3% higher than the same quarter of 2023. Pellet production of 2.5 million tonnes was 15% higher than the corresponding quarter in 2023, due to an increase in the availability of concentrate and fewer plant reliability issues than in 2023. CFS production of 1.9 million tonnes was 9% lower than the same quarter of 2023 mainly due to the higher production of pellets.

### Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.4 million tonnes in the first quarter of 2024 was 20% higher than the total sales tonnage for the same period in 2023 and 1% higher than the fourth quarter of 2023. The increase in IOC sales tonnage was largely a result of improved availability of inventory and timing of vessels. Pellet sales tonnages were 25% higher than the same quarter of 2023 and 7% higher than the fourth quarter of 2023. CFS sales tonnages were 13% higher than the same quarter of 2023 and 6% lower than the fourth quarter of 2023.

### Outlook

Rio Tinto's 2024 guidance for IOC's saleable production (CFS plus pellets) remains at 16.7 million to 19.6 million tonnes. This compares to 16.5 million tonnes of saleable production in 2023. IOC continues to focus on upgrading its capital assets through increased capital expenditures. As reported in the 2023 Annual Report, IOC's capital expenditures for 2024 are forecasted to be US\$431 million, up from US\$362 million in 2023.

While lower capital investment rates, higher inflation and monetary tightening continue to negatively affect global steel demand, recently seaborne iron ore prices have shown some resiliency. Since the end of the first quarter, iron ore prices have improved. At the end of April 2024, the 65% Fe index was US\$131 per tonne or 14% higher than at the end of the first quarter of 2024. Longer term the outlook for iron ore and high-quality iron ore in particular, is positive. The World Steel Association forecasts that global steel demand will grow by 1.7% in 2024 and 1.2% in 2025. It expects that steel demand in China in 2024 will remain flat, as declining demand from real estate investments is offset by growth in steel

# REPORT TO SHAREHOLDERS

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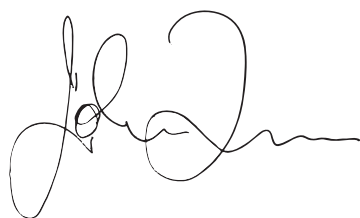
demand from infrastructure investments and manufacturing sectors. However, it forecasts broad-based growth in steel demand for the world excluding China of 3.5% per annum over 2024 and 2025, with India emerging as the strongest driver with 8% growth in its steel demand over 2024 and 2025. It also forecasts steel demand in the European Union showing a meaningful pick up in 2025 and continued resilience in the US, Japan and Korea.

Lastly, significant additional demand for the type of high-quality iron ore products that IOC is capable of producing will come from the global transition to green steel. Currently, steel production accounts for 7% – 9% of the world's greenhouse gas (“GHG”) emissions. The transition to steel production by way of the Electric Arc Furnace (“EAF”) process and away from the Blast Furnace or Basic Oxygen Furnace process has the potential to substantially reduce GHG emissions. This transition to EAF technology requires iron ore products with very low deleterious materials and a high iron content, such as those produced by IOC. According to Wood Mackenzie, just 8% of iron ore production is prime grade suitable for green steelmaking and another 15% – 20% can be processed to become such prime grade material.

On April 16, 2024, the Federal Finance Minister tabled the Federal Budget 2024 which proposed an increase in the capital gains inclusion rate for corporations from one half to two thirds for capital gains realized on or after June 25, 2024. If this tax change is passed into law, it will be accounted for in the period of enactment and reflected in the financial results at that time. LIORC's deferred income taxes payable includes a capital gain equal to the carrying value of its investment in IOC less its cost. If the capital gains rate change is enacted, it would have the impact of increasing deferred income taxes by approximately \$25.3 million or \$0.40 per share. This would be a non-cash entry and will only impact LIORC in the event it sells its shares in IOC.

LIORC has no debt and at March 31, 2024 had positive net working capital (current assets less current liabilities) of \$30 million, which included the first quarter net royalty payment received from IOC on April 25, 2024 and the LIORC dividend in the amount of \$0.45 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  
May 8, 2024

# 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") 2023 Annual Report, and the financial statements and notes contained therein and the March 31, 2024 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 March 31,	
	2024	2023
	<i>(in millions except per share information)</i>	
Revenue	\$ 56.7	\$ 47.2
Equity earnings from IOC	\$ 34.3	\$ 21.8
Net income	\$ 59.3	\$ 43.6
Net income per share	\$ 0.93	\$ 0.68
Cash flow from operations	\$ 30.0	\$ 19.5
Cash flow from operations per share <sup>(1)</sup>	\$ 0.47	\$ 0.30
Adjusted cash flow <sup>(1)</sup>	\$ 31.3	\$ 26.1
Adjusted cash flow per share <sup>(1)</sup>	\$ 0.49	\$ 0.41
Dividends declared per share	\$ 0.45	\$ 0.50

(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 higher revenue, net income and equity earnings from IOC achieved in the first quarter of 2024 as compared to 2023 were mainly due to higher sales tonnages of pellets and CFS, partly offset by lower iron ore prices and pellet premiums. The first quarter of 2024 sales tonnages (CFS plus pellets) were higher by 20%. While CFS sales tonnages were 13% higher than the same quarter in 2023, pellet sales were 25% higher, predominantly due to improved availability of inventory and timing of vessels.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The higher pellet and CFS sales tonnages resulted in royalty income of \$56.0 million for the quarter as compared to \$46.5 million for the same period in 2023. First quarter 2024 cash flow from operations was \$30.0 million or \$0.47 per share compared to \$19.5 million or \$0.30 per share for the same period in 2023. Equity earnings from IOC amounted to \$34.3 million or \$0.54 per share in the first quarter of 2024 compared to \$21.8 million or \$0.34 per share for the same period in 2023.

## Operating Highlights

IOC Operations	Three Months Ended March 31,	
	2024	2023
	(in millions of tonnes)	
<b>Sales<sup>(1)</sup></b>		
Pellets	2.45	1.96
Concentrate for sale ("CFS") <sup>(2)</sup>	1.92	1.69
Total <sup>(3)</sup>	4.37	3.65
<b>Production</b>		
Concentrate produced	4.75	4.63
<b>Saleable production</b>		
Pellets	2.53	2.19
CFS	1.92	2.11
Total <sup>(3)</sup>	4.45	4.30
<b>Average index prices per tonne (US\$)</b>		
65% Fe index <sup>(4)</sup>	\$ 136	\$ 140
62% Fe index <sup>(5)</sup>	\$ 124	\$ 126
Pellet premium <sup>(6)</sup>	\$ 40	\$ 46

(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 first quarter of 2024, the 65% Fe index averaged US\$136 per tonne, a 3% decrease over the average of US\$140 per tonne in the first quarter of 2023. Ongoing concerns regarding steel demand, particularly as a result of China's troubled property sector and a 15% increase in iron ore shipments by Vale due to operational improvements during Brazil's traditionally rainy season, contributed to an almost 25% decrease in iron ore prices during the first quarter of 2024. The 65% Fe Index, which started the quarter at a robust US\$153 per tonne, finished the quarter at US\$115 per tonne. The

# MANAGEMENT'S DISCUSSION AND ANALYSIS

monthly pellet premium averaged US\$40 per tonne in the first quarter of 2024, down 12% from an average of US\$46 per tonne in the same quarter of 2023, as lower steel margins continued to cause steel producers to substitute higher quality pellets with less expensive lower quality iron ore.

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\$133 per tonne in the first quarter of 2024 compared to US\$136 per tonne in the first quarter of 2023. The decrease in the average realized price FOB Sept-Îles in 2024 was a result of lower CFS prices 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 \$0.47 for the quarter (2023 – \$0.30).

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 Mar. 31, 2024</b>	<b>3 Months Ended Mar. 31, 2023</b>
	<i>(in millions except per share information)</i>	
Standardized cash flow from operating activities	\$ 30.0	\$ 19.5
Changes in amounts receivable, accounts payable and income taxes recoverable and payable	1.3	6.6
Adjusted cash flow	\$ 31.3	\$ 26.1
Adjusted cash flow per share	\$ 0.49	\$ 0.41

# MANAGEMENT'S DISCUSSION AND ANALYSIS

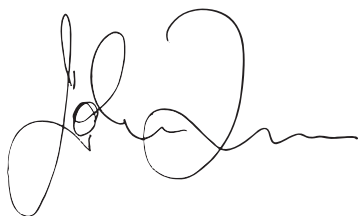
## **Liquidity and Capital Resources**

The Corporation had \$14.4 million in cash as at March 31, 2024 (December 31, 2023 – \$13.2 million) with total current assets of \$71.9 million (December 31, 2023 – \$67.5 million). The Corporation had working capital of \$29.7 million as at March 31, 2023 (December 31, 2023 – \$27.2 million). The Corporation's operating cash flow was \$30.0 million and the dividend paid during the quarter was \$28.8 million, resulting in cash balances increasing by \$1.2 million during the first quarter of 2024.

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 its 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, 2026 with provision for annual one-year extensions. No amount is currently drawn under this facility (2023 – 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  
May 8, 2024



# **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 12, 2024 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.sedarplus.ca](http://www.sedarplus.ca).

## **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

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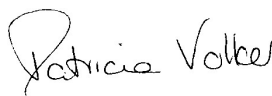
	<b>As at</b>	
<i>(in thousands of Canadian dollars)</i>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<i>(Unaudited)</i>	
<b>Assets</b>		
Current Assets		
Cash	\$ 14,437	\$ 13,192
Amounts receivable (note 4)	57,413	53,872
Income taxes recoverable	—	465
Total Current Assets	71,850	67,529
Non-Current Assets		
Iron Ore Company of Canada (“IOC”) royalty and commission interests	221,279	222,901
Investment in IOC (note 5)	580,938	546,614
Total Non-Current Assets	802,217	769,515
Total Assets	\$ 874,067	\$ 837,044
<b>Liabilities and Shareholders’ Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 11,942	\$ 11,542
Dividend payable	28,800	28,800
Taxes payable	1,426	—
Total Current Liabilities	42,168	40,342
Non-Current Liabilities		
Deferred income taxes (note 6)	142,040	137,370
Total Liabilities	184,208	177,712
Shareholders’ Equity		
Share capital	317,708	317,708
Retained earnings	378,454	347,927
Accumulated other comprehensive loss	(6,303)	(6,303)
	689,859	659,332
Total Liabilities and Shareholders’ Equity	\$ 874,067	\$ 837,044

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

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	<b>For the Three months Ended March 31,</b>	
<i>(in thousands of Canadian dollars except for per share information)</i>	<b>2024</b>	<b>2023</b>
	<i>(Unaudited)</i>	
<b>Revenue</b>		
IOC royalties	\$ 55,983	\$ 46,543
IOC commissions	430	359
Interest and other income	246	312
	56,659	47,214
<b>Expenses</b>		
Newfoundland royalty taxes	11,197	9,309
Amortization of royalty and commission interests	1,622	1,582
Administrative expenses	831	655
	13,650	11,546
<b>Income before equity earnings and income taxes</b>	43,009	35,668
<b>Equity earnings in IOC</b>	34,324	21,817
<b>Income before income taxes</b>	77,333	57,485
<b>Provision for income taxes (note 6)</b>		
Current	13,336	11,110
Deferred	4,670	2,810
	18,006	13,920
<b>Net income for the period</b>	59,327	43,565
<b>Comprehensive income for the period</b>	\$ 59,327	\$ 43,565
<b>Basic and diluted income per share</b>	\$ 0.93	\$ 0.68

See accompanying notes to interim condensed consolidated financial statements.

# LABRADOR IRON ORE ROYALTY CORPORATION

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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<i>(in thousands of Canadian dollars)</i>	<b>For the Three months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<i>(Unaudited)</i>	
<b>Net inflow (outflow) of cash related to the following activities</b>		
<b>Operating</b>		
Net income for the period	\$ 59,327	\$ 43,565
Items not affecting cash:		
Equity earnings in IOC	(34,324)	(21,817)
Current income taxes	13,336	11,110
Deferred income taxes	4,670	2,810
Amortization of royalty and commission interests	1,622	1,582
Change in amounts receivable	(3,541)	(4,882)
Change in accounts payable	400	701
Income taxes paid	(11,445)	(13,583)
Cash flow from operating activities	30,045	19,486
<b>Financing</b>		
Dividend paid to shareholders	(28,800)	(44,800)
Cash flow used in financing activities	(28,800)	(44,800)
<b>Increase (decrease) in cash, during the period</b>	1,245	(25,314)
<b>Cash, beginning of period</b>	13,192	39,904
<b>Cash, end of period</b>	\$ 14,437	\$ 14,590

See accompanying notes to interim condensed consolidated financial statements.

# LABRADOR IRON ORE ROYALTY CORPORATION

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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<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, 2022	64,000,000	\$ 317,708	\$ 324,821	\$ (5,070)	\$ 637,459
Net income for the period	—	—	43,565	—	43,565
Dividends declared to shareholders	—	—	(32,000)	—	(32,000)
Balance as at					
March 31, 2023	64,000,000	\$ 317,708	\$ 336,386	\$ (5,070)	\$ 649,024
Balance as at					
December 31, 2023	64,000,000	\$ 317,708	\$ 347,927	\$ (6,303)	\$ 659,332
Net income for the period	—	—	59,327	—	59,327
Dividend declared to shareholders	—	—	(28,800)	—	(28,800)
Balance as at					
March 31, 2024	64,000,000	\$ 317,708	\$ 378,454	\$ (6,303)	\$ 689,859

See accompanying notes to interim condensed consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(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 on all iron ore products produced and sold 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.

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 8, 2024.

## 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, 2023. 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, 2023.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. Amounts Receivable

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
IOC royalties	\$ 56,960	\$ 53,654
IOC commissions	177	175
Other	276	43
	<u>\$ 57,413</u>	<u>\$ 53,872</u>

## 5. Investment in IOC

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Investment in IOC, beginning of period	\$ 546,614	\$ 513,828
Equity earnings in IOC	34,324	84,684
Other comprehensive income of IOC	—	(1,451)
Common share dividend received	—	(50,447)
Investment in IOC, end of period	<u>\$ 580,938</u>	<u>\$ 546,614</u>

The excess of cost of the Investment in IOC over the book value of underlying net assets amounts to \$37,846 as at March 31, 2024 (December 31, 2023 – \$38,123) and is being amortized to net income on the unit-of-production method based on actual production in the current year and estimated production of iron ore over the life of mine 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:

	<b>For the Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Income before income taxes	<u>\$ 77,333</u>	<u>\$ 57,485</u>
Income taxes at combined federal and provincial statutory tax rates of 30.0%	23,200	17,246
(Decrease) increase in income taxes resulting from:		
Undistributed equity earnings in investment in IOC	(5,149)	(3,273)
Equity earnings distributed as dividends	—	—
Other	(45)	(53)
Income tax expense	<u>\$ 18,006</u>	<u>\$ 13,920</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The deferred tax liability is comprised of the following:

	<b>Opening Balance</b>	<b>Recognized in net income</b>	<b>Recognized in other comprehensive loss</b>	<b>Closing Balance</b>
<b>December 31, 2023</b>				
Difference in tax and book value of assets	\$ 134,627	\$ 3,331	\$ (218)	\$ 137,740
Tax benefit of deductible temporary differences	(407)	37	—	(370)
Net deferred income tax liability	<u>\$ 134,220</u>	<u>\$ 3,368</u>	<u>\$ (218)</u>	<u>\$ 137,370</u>
<b>March 31, 2024</b>				
Difference in tax and book value of assets	\$ 137,740	\$ 4,661	\$ —	\$ 142,401
Tax benefit of deductible temporary differences	(370)	9	—	(361)
Net deferred income tax liability	<u>\$ 137,370</u>	<u>\$ 4,670</u>	<u>\$ —</u>	<u>\$ 142,040</u>

## 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 March 31, 2024 was comprised of salaries, restricted share units (“RSUs”), performance share units (“PSUs”) and fees totaling \$331 (2023 – \$290).

## 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 March 31, 2024, there were 5,861 (December 31, 2023 – 11,034) RSUs awarded and outstanding. For the three month period ended March 31, 2024, compensation expense of approximately \$16 (2023 – \$28) was accrued in connection with the RSUs.

On March 18, 2024, the Corporation adopted a performance share unit plan (“PSUP” or “PSUs”) for its employees that uses notional units that are valued based on the Corporation’s common share price on the Toronto Stock Exchange. The PSUs accumulate dividend equivalents in the form of additional units based on the dividends paid on the Corporation’s common shares. The PSUP is settled in cash and, as a result, is classified as a liability.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Fluctuations in the Corporation's share price change the value of the PSUs, which affects the Corporation's compensation expense.

Under the PSUP, selected employees receive an award of PSUs which vest on the third anniversary of the award date. The number of units that will ultimately vest and paid out on the third anniversary of the award date will depend on whether the average Adjusted Cash Flow ("ACF") per share over the three fiscal years immediately preceding the vesting date meets the target ACF per share set for that award, which is the average of the ACF per share for the five completed fiscal years preceding the award, excluding the highest and lowest years. The share-based payment expense is recognized over the vesting period.

As at March 31, 2024, there were 6,139 (December 31, 2023 – nil) PSUs awarded and outstanding. For the three month period ended March 31, 2024, compensation expense of approximately \$15 (2023 – nil) was accrued in connection with the PSUs.

# CORPORATE INFORMATION

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## 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

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