LABRADOR IRON ORE
ROYALTY CORPORATION

# 2023

# THIRD 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 third quarter report for the period ended September 30, 2023.

### Financial Performance

In the third quarter of 2023, LIORC's financial results were negatively affected by lower pellet prices and lower sales volumes of pellets and concentrate for sale ("CFS"). Royalty revenue for the third quarter of 2023 amounted to $47.0 million compared to $63.5 million for the third quarter of 2022. Equity earnings from Iron Ore Company of Canada ("IOC") were $23.1 million in the third quarter of 2023 compared to $46.8 million in the third quarter of 2022, as a result of lower revenue and higher unit operating costs at IOC. Net income per share for the third quarter of 2023 was $0.77 per share, which was a 38% decrease over the same period in 2022. LIORC received a dividend from IOC in the amount of $30.6 million in the third quarter of 2023, compared to a dividend from IOC in the amount of $34.2 million in the third quarter of 2022. The adjusted cash flow per share for the third quarter of 2023 was $0.89 per share, which was 18% 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 third quarter of 2023, iron ore prices for concentrate and fines were generally consistent with the prior quarter and higher than the levels experienced in the third quarter of 2022, predominantly as a result of marginally higher global steel production and increasing expectations that government stimulus will lessen concerns over China's economy and its property sector. According to The World Steel Association, global crude steel production increased 2.4% in the third quarter of 2023 over the third quarter of 2022. In China, which accounts for over 70% of all seaborne iron ore demand, crude steel production increased 2.9% in the third quarter of 2023 over the third quarter of 2022. Overall, in the first nine months of 2023 global crude steel production has been flat compared to the first nine months of 2022. Conversely, pellet prices, while consistent with the prior quarter were substantially lower than the levels experienced in the second quarter of 2022, as global economic pressures on European steel producers continued to negatively impact the demand for iron ore pellets.

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 third quarter of 2023, the 65% Fe index averaged US$125 per tonne, an 8% increase over the average of US$115 per tonne in the third quarter of 2022, and a 1% increase over the average of US$124 in the second quarter of 2023. However, low steel production margins in China caused steel mills to continue 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 further in the third quarter of 2023 to $11 per tonne from $12 per tonne in the third quarter of 2022. The monthly Atlantic Blast Furnace 65% Fe pellet premium index as quoted by Platts (the "pellet premium") averaged US$49 per tonne in the third quarter of 2023, down 39% from an average of US$80 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$127 per tonne in the third quarter of 2023, compared to approximately US$146 per tonne in the third quarter of 2022 and US$125 per tonne in the second quarter of 2023. The decrease in the average realized price FOB Sept-Îles in 2023 was a result of lower pellet prices and to a lesser extent a change in product mix, as pellets represented 46% of sales in the third quarter of 2023, compared to 52% of sales in the same quarter of 2022 and the second quarter of 2023.

## Iron Ore Company of Canada Operations

### Operations

IOC concentrate production of 4.3 million tonnes in the third quarter of 2023 was 13% lower than the same quarter of 2022, mainly due to (i) an unexpected equipment failure with the thickener rake drive which is used in the dewatering process in the concentrator, and (ii) conveyor belt failures on the overland delivery system between the mine and the concentrator. Concentrate production in the quarter was 11% higher than in the second quarter of 2023, as the second quarter was negatively impacted by the forest fires affecting the rail line.

The IOC saleable production (CFS plus pellets) of 4.1 million tonnes in the third quarter of 2023 was 14% lower than the same period in 2022, as operations were impacted by extended plant downtime resulting from the equipment and conveyor belt failures, referred to above. The IOC saleable production in the third quarter of 2023 was 16% higher than the second quarter of 2023, as a result of the wildfires in the second quarter.

Pellet production in the third quarter of 2023 of 2.1 million tonnes was 19% lower than the corresponding quarter in 2022 and 32% higher than the second quarter of 2023. Pellet production in the third quarter of 2023 was negatively impacted by an increase in the machine 3 rebuild duration and plant reliability issues. In the third quarter of 2023, CFS production of 1.9 million tonnes was 8% lower than the same quarter last year and consistent with the second quarter of 2023, due to the reduction of concentrate production for the reasons referred to above.

### Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 3.9 million tonnes in the third quarter of 2023 was 14% lower than the total sales tonnage for the same period in 2022 and 11% lower than the second quarter of 2023, mainly due to inventory availability and shipment timing. Pellet sales tonnage in the third quarter of 2023 was 22% lower than the same period in 2022 and 21% lower than the second quarter of 2023. CFS sales tonnage was 5% lower than the same quarter last year and consistent with the second quarter of 2023.

## Outlook

Given the third quarter production performance, Rio Tinto's full year 2023 guidance for IOC's saleable production (CFS plus pellets) has been lowered to 15.8 million to 16.7 million tonnes (previous guidance was 17.0 million to 18.7 million tonnes). This revised guidance compares to 17.6 million tonnes of saleable production in 2022, and 16.6 million tonnes of saleable production in 2021.

Inflation and the resulting monetary tightening around the world have slowed global investment and consumption. This in turn has put pressure on steel demand and production. Additionally, China's property sector, and the potential effects from the financial difficulties that major real estate developers are experiencing, continues to create significant concerns for China's economy. That being said, The World Steel Association is forecasting that China's property market will stabilise in the latter part of the year and that China's steel demand will record slight positive growth thanks to government measures. Globally, it is forecasting that steel demand will grow by 1.8% in 2023 and 1.9% in 2024 (after falling 3.3% in 2022).

In the near term, despite the global economic challenges, iron ore prices have so far remained relatively consistent. In October 2023 the average price of the 65% Fe index was US$128 per tonne, roughly equivalent to the average of the 65% Fe index for the second and third quarter of 2023. However, the pellet premiums have come under further pressure as steel producers in Europe (significant consumers of pellets) continue to face pressure. The pellet premium for October was US$38 per tonne compared to the average of US$49 per tonne in the third quarter of 2023.

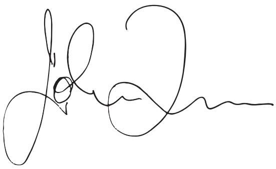
Longer term, IOC remains well positioned to benefit from the movement to produce low emission green steel. The production of steel, a key material for infrastructure and net-zero energy transition, currently contributes around 7-9% of global carbon emissions. IOC's high-quality products, including direct reduction pellets, are part of the solution to reducing GHG emissions in the steel making process, as demonstrated by IOC's recent multi-year agreement to supply high grade direct reduction pellets to H2 Green Steel ("H2GS"). H2GS will process IOC's direct reduction pellets into low-carbon hot briquetted iron and then make steel through electric arc furnaces using green hydrogen at its flagship plant in Boden, Sweden. The Boden facility, which will hold one of the world's largest electrolysis plants for the production of green hydrogen, will be one of the world's first large-scale producers of low carbon iron and steel. By using green hydrogen in electric arc furnaces instead of coal in traditional steelmaking with a blast furnace, CO2 emissions can be reduced by up to 95 percent.

LIORC has no debt and at September 30, 2023 had positive net working capital (current assets less current liabilities) of $25.8 million, which included the third quarter net royalty

# Report To Shareholders

payment received from IOC on October 25, 2023 and the LIORC dividend in the amount of $0.95 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
November 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 September 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| | *($ in millions except per share information)* | | | |
| Revenue | 47.7 | 64.1 | 146.4 | 184.6 |
| Equity earnings from IOC | 23.1 | 46.8 | 58.5 | 134.4 |
| Net income | 49.4 | 79.2 | 134.9 | 220.9 |
| Net income per share | $ 0.77 | $ 1.24 | $ 2.11 | $ 3.45 |
| Dividend from IOC | 30.6 | 34.2 | 50.4 | 53.7 |
| Cash flow from operations | 65.7 | 78.5 | 126.1 | 123.7 |
| Cash flow from operations per share(1) | $ 1.03 | $ 1.23 | $ 1.97 | $ 1.93 |
| Adjusted cash flow(1) | 56.8 | 69.7 | 131.3 | 155.9 |
| Adjusted cash flow per share(1) | $ 0.89 | $ 1.09 | $ 2.05 | $ 2.44 |
| Dividends declared per share | $ 0.95 | $ 1.00 | $ 2.10 | $ 2.40 |

*(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 third quarter of 2023 as compared to 2022 were mainly due to lower pellet prices and lower sales volumes of pellets and concentrate for sale ("CFS"). The third quarter of 2023 sales tonnage (pellets and CFS) was lower by 14% than the third quarter of 2022 mainly due to inventory availability and shipment timing. CFS sales tonnage was 5% lower than the same quarter last year and pellet sales tonnage was 22% lower than the same period in 2022.

The lower sales tonnage, together with a decrease in the realized sales price of pellets, resulted in royalty income of $47.0 million for the quarter as compared to $63.5 million for the same period in 2022. Third quarter 2023 cash flow from operations was $65.7 million or $1.03 per share compared to $78.5 million or $1.23 per share for the same period in 2022. LIORC received an IOC dividend in the second quarter of 2023 in the amount of $30.6 million or $0.49 per share compared to $34.2 million or $0.53 per share for the same period in 2022. Equity earnings from IOC amounted to $23.1 million or $0.36 per share in the third quarter of 2023 compared to $46.8 million or $0.73 per share for the same period in 2022.

## Operating Highlights

| IOC Operations | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| | *(in millions of tonnes)* | | | |
| **Sales**(1) | | | | |
| Pellets | 1.82 | 2.35 | 6.08 | 7.23 |
| Concentrate for sale ("CFS")(2) | 2.10 | 2.20 | 5.89 | 5.19 |
| Total(3) | 3.92 | 4.55 | 11.96 | 12.42 |
| **Production** | | | | |
| Concentrate produced | 4.27 | 4.92 | 12.72 | 14.33 |
| **Saleable production** | | | | |
| Pellets | 2.12 | 2.62 | 5.92 | 7.33 |
| CFS | 1.94 | 2.11 | 5.96 | 5.93 |
| Total(3) | 4.06 | 4.73 | 11.88 | 13.26 |
| **Average index prices per tonne (US$)** | | | | |
| 65% Fe index(4) | $ 125 | $ 115 | $ 130 | $ 148 |
| 62% Fe index(5) | $ 114 | $ 103 | $ 117 | $ 128 |
| Pellet premium(6) | $ 49 | $ 80 | $ 47 | $ 76 |

(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 third quarter of 2023, the 65% Fe index averaged US$125 per tonne, an 8% increase over the average of US$115 per tonne in the third quarter of 2022. Iron ore prices, which were consistent with the prior quarter, increased over the third quarter of 2022 predominantly as a result of marginally higher global steel production and increasing expectations that government stimulus will lessen concerns over

China's economy and its property sector. The monthly pellet premium averaged US$49 per tonne in the third quarter of 2023, down 39% from an average of US$80 per tonne in the same quarter of 2022, as global economic pressures on steel production outside of China continued to negatively impact the demand for iron ore pellets.

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$127 per tonne in the third quarter of 2023, compared to approximately US$146 per tonne in the third quarter of 2022 and US$125 per tonne in the second quarter of 2023. The decrease in the average realized price FOB Sept-Îles in 2023 was a result of lower pellet prices and to a lesser extent a change in product mix, as pellets represented 46% of sales in the third quarter of 2023, compared to 52% of sales in the same quarter of 2022 and the second quarter of 2023.

## 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 $1.03 for the quarter (2022 – $1.23).

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.

| | **3 Months Ended Sept. 30, 2023** | **3 Months Ended Sept. 30, 2022** | **9 Months Ended Sept. 30, 2023** | **9 Months Ended Sept. 30, 2022** |
|---|---|---|---|---|
| | *(in millions except for per share information)* | | | |
| Standardized cash flow from operating activities | $ 65.7 | $ 78.5 | $ 126.1 | $ 123.7 |
| Changes in amounts receivable, accounts payable and income taxes payable | (8.9) | (8.8) | 5.1 | 32.1 |
| Adjusted cash flow | $ 56.8 | $ 69.7 | $ 131.2 | $ 155.8 |
| Adjusted cash flow per share | $ 0.89 | $ 1.09 | $ 2.05 | $ 2.44 |

## Liquidity and Capital Resources

The Corporation had $47.6 million in cash as at September 30, 2023 (December 31, 2022 – $39.9 million) with total current assets of $95.7 million (December 31, 2022 – $83.0 million). The Corporation had working capital of $25.8 million as at September 30, 2023 (December 31, 2022 – $28.9 million). The Corporation's operating cash flow was $65.7 million and the dividend paid during the quarter was $41.6 million, resulting in cash balances increasing by $24.1 million during the third quarter of 2023. In September the Directors of the Corporation declared the third quarter dividend of $60.8 million that was paid on October 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
November 2, 2023

## 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.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

| *(in thousands of Canadian dollars)* | As at September 30, 2023 | As at December 31, 2022 |
|---|---|---|
| | *(Unaudited)* | |
| **Assets** | | |
| Current Assets | | |
| Cash | $ 47,644 | $ 39,904 |
| Amounts receivable (note 4) | 43,706 | 42,758 |
| Income taxes recoverable | 4,381 | 357 |
| Total Current Assets | 95,731 | 83,019 |
| Non-Current Assets | | |
| Iron Ore Company of Canada (“IOC”) royalty and commission interests | 224,350 | 228,918 |
| Investment in IOC (note 5) | 521,488 | 513,828 |
| Total Non-Current Assets | 745,838 | 742,746 |
| Total Assets | $ 841,569 | $ 825,765 |
| **Liabilities and Shareholders’ Equity** | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | $ 9,141 | $ 9,286 |
| Dividend payable | 60,800 | 44,800 |
| Total Current Liabilities | 69,941 | 54,086 |
| Non-Current Liabilities | | |
| Deferred income taxes (note 6) | 134,030 | 134,220 |
| Total Liabilities | 203,971 | 188,306 |
| Shareholders’ Equity | | |
| Share capital | 317,708 | 317,708 |
| Retained earnings | 325,275 | 324,821 |
| Accumulated other comprehensive loss | (5,385) | (5,070) |
| | 637,598 | 637,459 |
| Total Liabilities and Shareholders’ Equity | $ 841,569 | $ 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

| *(in thousands of Canadian dollars except for per share information)* | For the Three months Ended September 30, 2023 | 2022 |
|---|---|---|
| | *(Unaudited)* | |
| **Revenue** | | |
| IOC royalties | $ 46,986 | $ 63,475 |
| IOC commissions | 385 | 447 |
| Interest and other income | 314 | 137 |
| | 47,685 | 64,059 |
| **Expenses** | | |
| Newfoundland royalty taxes | 9,397 | 12,695 |
| Amortization of royalty and commission interests | 1,522 | 1,660 |
| Administrative expenses | 730 | 687 |
| | 11,649 | 15,042 |
| **Income before equity earnings and income taxes** | 36,036 | 49,017 |
| **Equity earnings in IOC** | 23,118 | 46,781 |
| **Income before income taxes** | 59,154 | 95,798 |
| **Provision for income taxes** (note 6) | | |
| Current | 11,289 | 15,186 |
| Deferred | (1,560) | 1,410 |
| | 9,729 | 16,596 |
| **Net income for the period** | 49,425 | 79,202 |
| **Comprehensive income for the period** | $ 49,425 | $ 79,202 |
| **Net income per share** | $ 0.77 | $ 1.24 |

See accompanying notes to interim condensed consolidated financial statements.

# 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 Nine months Ended September 30, 2023 | 2022 |
|---|---|---|
| | *(Unaudited)* | |
| **Revenue** | | |
| IOC royalties | $ 144,470 | $ 183,130 |
| IOC commissions | 1,177 | 1,223 |
| Interest and other income | 789 | 238 |
| | 146,436 | 184,591 |
| **Expenses** | | |
| Newfoundland royalty taxes | 28,894 | 36,626 |
| Amortization of royalty and commission interests | 4,568 | 4,982 |
| Administrative expenses | 2,159 | 2,212 |
| | 35,621 | 43,820 |
| **Income before equity earnings and income taxes** | 110,815 | 140,771 |
| **Equity earnings in IOC** | 58,478 | 134,355 |
| **Income before income taxes** | 169,293 | 275,126 |
| **Provision for income taxes** (note 6) | | |
| Current | 34,573 | 43,618 |
| Deferred | (134) | 10,631 |
| | 34,439 | 54,249 |
| **Net income for the period** | 134,854 | 220,877 |
| **Other comprehensive (loss) income** | | |
| 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 |
| **Comprehensive income for the period** | $ 134,539 | $ 226,479 |
| **Basic and diluted income per share** | $ 2.11 | $ 3.45 |

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 Nine months Ended September 30, 2023 | 2022 |
|---|---|---|
| | *(Unaudited)* | |
| **Net inflow (outflow) of cash related to the following activities** | | |
| **Operating** | | |
| Net income for the period | $ 134,854 | $ 220,877 |
| Items not affecting cash: | | |
| Equity earnings in IOC | (58,478) | (134,355) |
| Current income taxes | 34,573 | 43,618 |
| Deferred income taxes | (134) | 10,631 |
| Amortization of royalty and commission interests | 4,568 | 4,982 |
| Common share dividends from IOC | 50,447 | 53,719 |
| Change in amounts receivable | (948) | (8,584) |
| Change in accounts payable | (145) | 1,304 |
| Income taxes paid | (38,597) | (68,492) |
| Cash flow from operating activities | 126,140 | 123,700 |
| **Financing** | | |
| Dividends paid to shareholders | (118,400) | (163,200) |
| Cash flow used in financing activities | (118,400) | (163,200) |
| **Increase (decrease) in cash, during the period** | 7,740 | (39,500) |
| **Cash, beginning of period** | 39,904 | 82,913 |
| **Cash, end of period** | $ 47,644 | $ 43,413 |

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 except share amounts)* | **Common shares** | **Share capital** | **Retained earnings** | **Accumulated other comprehensive loss** | **Total** |
|---|---|---|---|---|---|
| | | | *(Unaudited)* | | |
| Balance as at December 31, 2021 | 64,000,000 | $ 317,708 | $ 257,772 | $ (11,420) | $ 564,060 |
| Net income for the period | — | — | 220,877 | — | 220,877 |
| Dividends declared to shareholders | — | — | (153,600) | — | (153,600) |
| Share of other comprehensive income from investment in IOC (net of taxes) | — | — | — | 5,602 | 5,602 |
| Balance as at September 30, 2022 | 64,000,000 | $ 317,708 | $ 325,049 | $ (5,818) | $ 636,939 |
| Balance as at December 31, 2022 | 64,000,000 | $ 317,708 | $ 324,821 | $ (5,070) | $ 637,459 |
| Net income for the period | — | — | 134,854 | — | 134,854 |
| Dividends declared to shareholders | — | — | (134,400) | — | (134,400) |
| Share of other comprehensive loss from investment in IOC (net of taxes) | — | — | — | (315) | (315) |
| Balance as at September 30, 2023 | 64,000,000 | $ 317,708 | $ 325,275 | $ (5,385) | $ 637,598 |

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 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 November 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.

### (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 September 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

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| IOC royalties | $ 43,423 | $ 42,482 |
| IOC commissions | 128 | 150 |
| Other | 155 | 126 |
| | $ 43,706 | $ 42,758 |

## 5. Investment in IOC

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Investment in IOC, beginning of period | $ 513,828 | $ 421,376 |
| Equity earnings in IOC | 58,478 | 154,103 |
| Other comprehensive (loss) income of IOC | (371) | 7,471 |
| Common share dividend received | (50,447) | (69,122) |
| Investment in IOC, end of period | $ 521,488 | $ 513,828 |

The excess of cost of the Investment in IOC over the book value of underlying net assets amounts to $38,371 as at September 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.

## 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 September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Income before income taxes | $ 59,154 | $ 95,798 | $ 169,293 | $ 275,126 |
| Income taxes at combined federal and provincial statutory tax rates of 30.0% | 17,746 | 28,739 | 50,788 | 82,538 |
| (Decrease) increase in income taxes resulting from: | | | | |
| Undistributed equity earnings in investment in IOC | (3,468) | (7,017) | (8,772) | (20,153) |
| Equity earnings distributed as dividends | (4,584) | (5,125) | (7,567) | (8,058) |
| Other | 35 | (1) | (10) | (78) |
| Income tax expense | $ 9,729 | $ 16,596 | $ 34,439 | $ 54,249 |

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, 2022** | | | | |
| 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 | $ 122,240 | $ 10,859 | $ 1,121 | $ 134,220 |
| **September 30, 2023** | | | | |
| Difference in tax and book value of assets | $ 134,626 | $ (161) | $ (56) | $ 134,409 |
| Tax benefit of deductible temporary differences | (406) | 27 | — | (379) |
| Net deferred income tax liability | $ 134,220 | $ (134) | $ (56) | $ 134,030 |

## 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 September 30, 2023 was comprised of salaries, Restricted Share Units ("RSUs"), and fees totaling $335 (2022 – $301). Their remuneration for the nine months ended September 30, 2023 was comprised of salaries, RSUs, and fees totaling $957 (2022 – $960).

## 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 September 30, 2023, there were 11,598 (2022 – 13,566) RSUs awarded and outstanding. For the three month and nine month period ended September 30, 2023, compensation expense (recovery) of approximately $58 (2022 – $48) and $133 (2022 – $202) were accrued in connection with the RSUs.

# Corporate Information

## Administration and Investor Relations

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## Directors

**William H. McNeil**[(1)]
Company Director

**Mark J. Fuller**[(2)(3)]
President and CEO of
Ontario Pension Board

**Douglas F. McCutcheon**[(2)]
President of
Longview Asset Management Ltd

**Dorothea E. Mell**[(2)]
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**[(2)]
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

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