



LABRADOR IRON ORE ROYALTY CORPORATION

JUNE 2019

NOTICE TO READER

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

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AGENDA

- ❖ LIORC Financial Highlights
- ❖ Iron Ore Market Update
- ❖ IOC Update
- ❖ IOC and LIORC Strengths
- ❖ LIORC Cash Flow and Total Return
- ❖ Outlook
- ❖ Questions

LIORC FINANCIAL HIGHLIGHTS

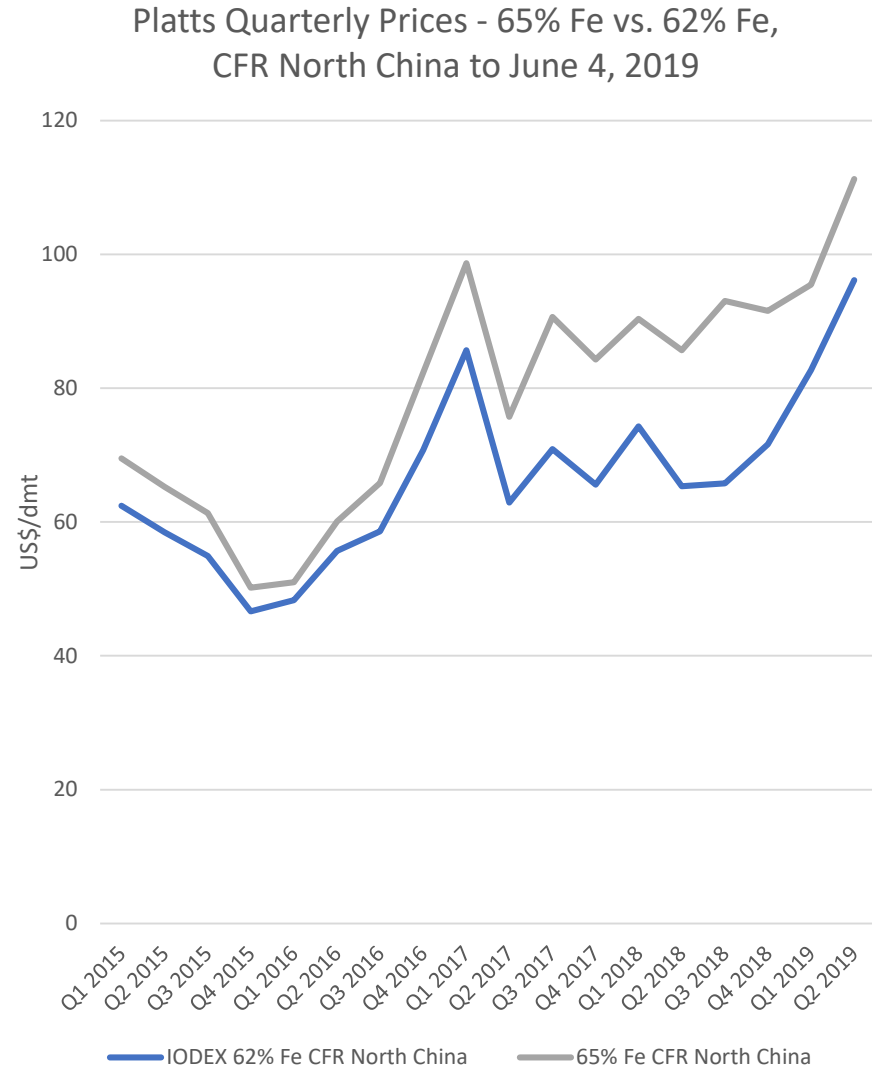
	First Quarter		Fiscal Year	
	2019	2018	2018	2017
	(\$ in millions except per share information)			
Revenue	39.2	34.3	130.9	158.6
Net Income	39.3	30.3	128.5	157.3
Cash Flow from Operations	25.0	20.3	148.8 ⁽¹⁾	167.0 ⁽²⁾
Net Income per Share	\$0.61	\$0.47	\$2.01	\$2.46
Cash Flow from Operations per Share	\$0.39	\$0.32	\$2.32 ⁽¹⁾	\$2.61 ⁽²⁾
Dividends Declared per Share	\$1.05	\$0.35	\$1.75	\$2.65

(1) Includes IOC dividends totaling \$83.9 million or \$1.31 per share.

(2) Includes IOC dividends totaling \$76.7 million or \$1.20 per share.

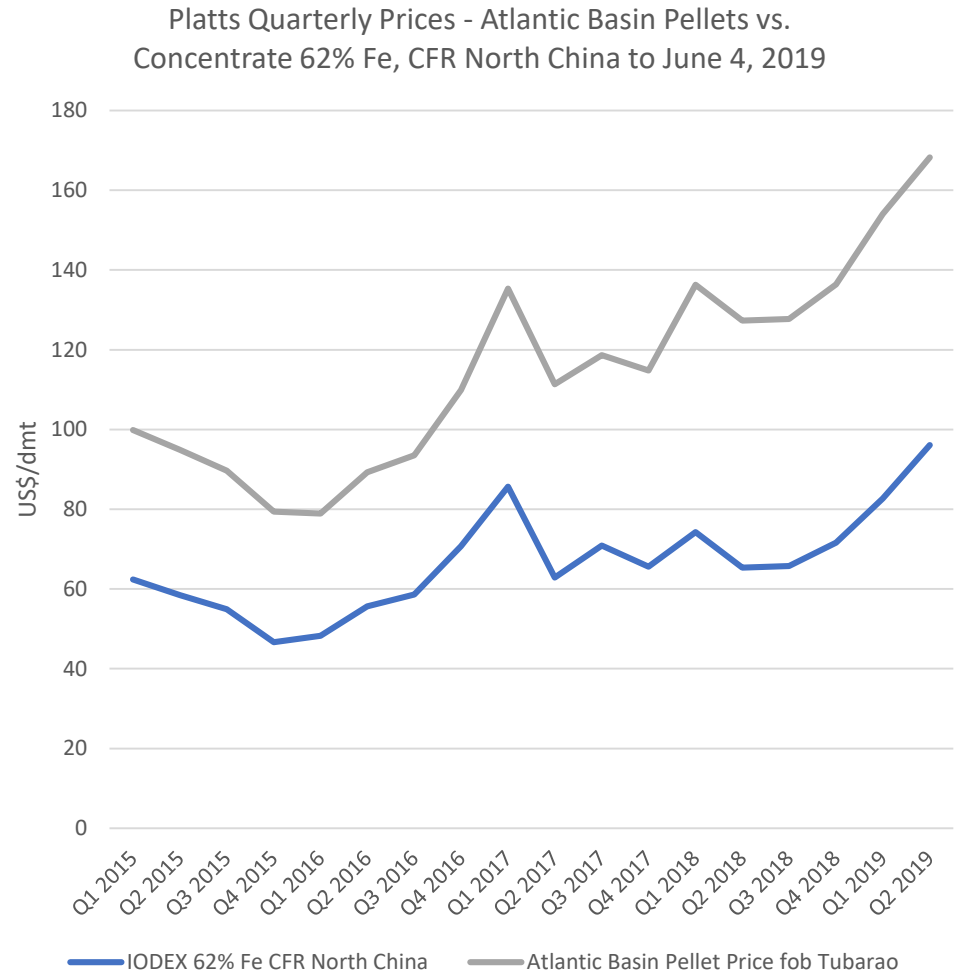
IRON ORE PRICES AND PREMIUMS

- Vale disaster on January 25, 2019 caused the 62% Fe index price to spike up to plus US\$90 per tonne
- The 62% Fe price remains above US\$90 per tonne
- Current premium for higher quality 65% Fe concentrate approx. US\$16 per tonne
- The 65% Fe and 62% Fe spread compressed recently due to reduced margins for steel makers
- Strong demand for IOC's high quality, low phosphorus and low alumina iron ore
- Continued focus by steelmakers for high quality iron ore
 - Improve efficiency
 - Reduce emissions
 - Produce higher quality steel



PELLET PREMIUM

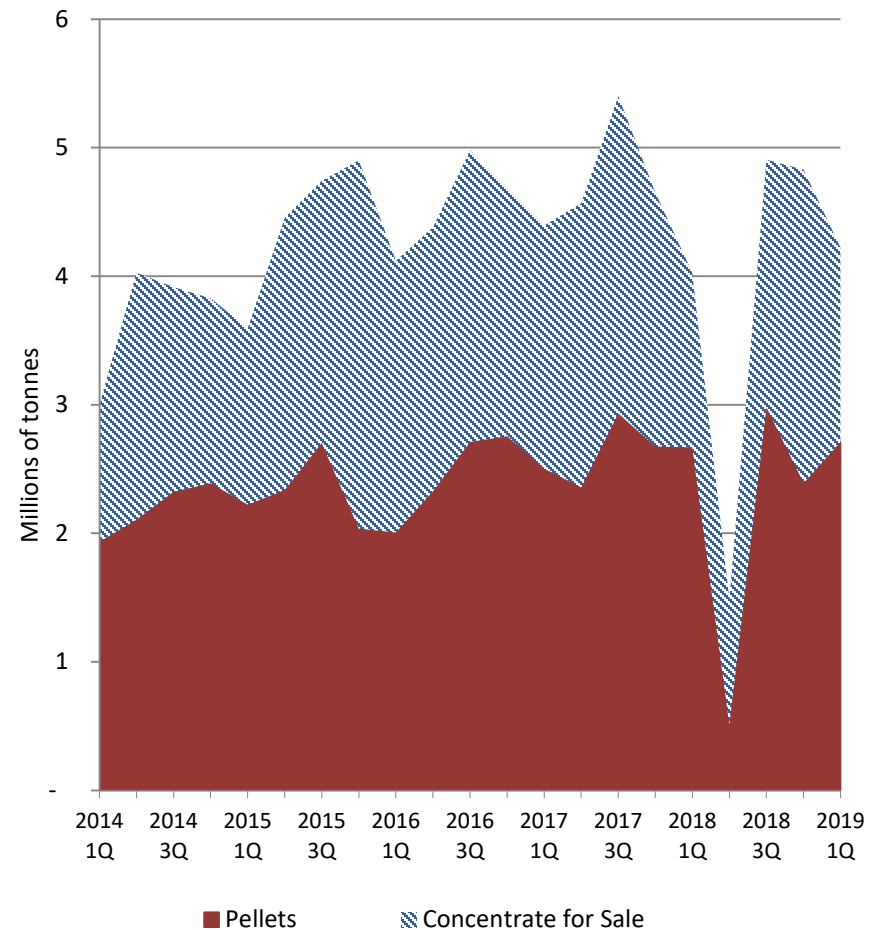
- Pellet premiums continued to remain strong in 2018 and early 2019 due to the Vale disaster and Chinese government measures to reduce pollution
- Platts pellet premium for Atlantic Basin BF pellets will average US\$67.83 per tonne in Q2 2019. The DR pellet premium will average US\$73.67 per tonne



IOC PRODUCTION

- 2018 annual saleable production (CFS and pellets) of 15.2 million tonnes was impacted by a nine week labour strike in Q2
- IOC's saleable production in Q1 2019 was 4.2 million tonnes, 5% better than Q1 2018
- Future CFS production should be aided by:
 - Moss Pit (Wabush 3) which began production in Q3 2018
 - Spiral plant productivity improvement project in Q3 2018
- Pellet plant operating well after refurbishment of two lines in 2017 and one in Q4 2018. In Q1 2019, unplanned maintenance on one pellet line affected production
- Growth potential as capacity reached
 - Concentrator 23.3 million tonnes p.a.
 - Pellet Plant 12.5 million tonnes p.a.

IOC Quarterly Production



IOC UNIT OPERATING COSTS

- IOC working towards target cash operating cost of US\$30-33 per tonne FOB Sept-Îles (excludes royalty and selling costs)
- As production increases to nameplate capacity of 23.3 million tonnes per year, unit costs expected to improve
- IOC has high margins given its high quality concentrate and pellets which partly offset its higher operating costs relative to low cost producers BHP, Rio Tinto and Vale

IOC CAPITAL EXPENDITURES

	2019 Forecast	2018	2017	2016
Capital Expenditures (\$ in millions)	224 to 245	205	265	99

- 2019 capital expenditures planned by IOC
 - Refurbishment of one pellet line
 - New rope shovel for the mine
 - Productivity improvements in concentrator and pellet plant
 - Additional locomotive capacity for QNS&L
- 2018 capital expenditures
 - Refurbishment of one pellet line
 - Completed development of Moss Pit (Wabush 3)
 - QNS&L track replacement project
 - Dewatering for Luce Pit
- 2017 capital expenditures
 - Refurbishment of two pellets lines
 - Development of Moss Pit (Wabush 3)

IOC STRENGTHS

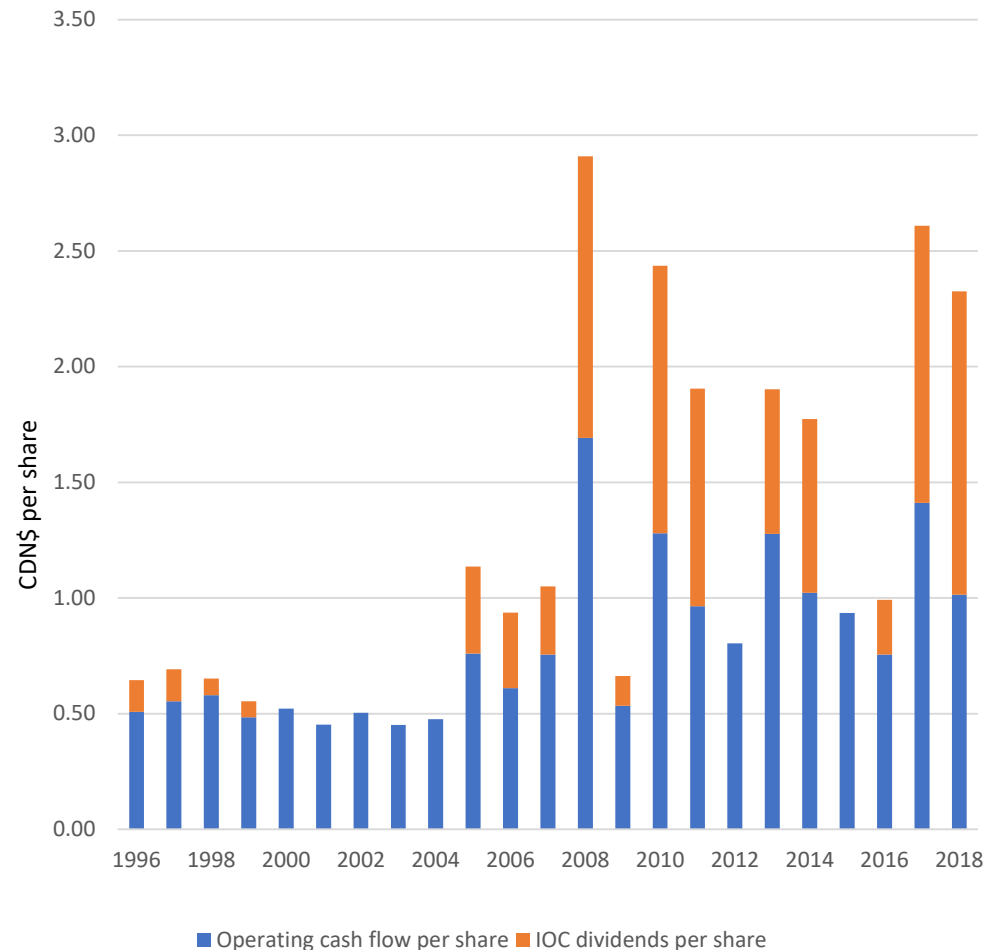
- High quality iron ore products (65% Fe) including higher margin pellets
- Large, high quality resource with a long mine life (>25 years based on reserves only)
- Stable jurisdiction
- World class operator
- Operating for over 50 years without a shut down due to market conditions
- Valuable infrastructure in place
 - Pellet Plant
 - Wholly-owned railway and port facility

LIORC STRENGTHS

- Great underlying asset in IOC
- Attractive 7% top line royalty
 - Royalty limits operational risk
- 15.1% equity investment in IOC provides additional upside to iron ore markets
- Cash flow largely paid out as dividends
 - No additional capex
- Debt-free balance sheet
 - LIORC's net working capital position was \$30.4 million as at March 31, 2019

LIORC CASH FLOW

- Royalty and commissions have historically provided stable and growing after-tax cash flow per share
 - Over last 5 years this annual cash flow has never been below \$0.76 per share and has averaged \$1.03 per share
 - Over 3% CAGR since 1996
- IOC equity has provided significant additional upside in years where iron ore prices have been strong
 - 7 out of the last 10 years
- Since inception, 98% of all cashflows have been paid to shareholders in the form of cash distributions



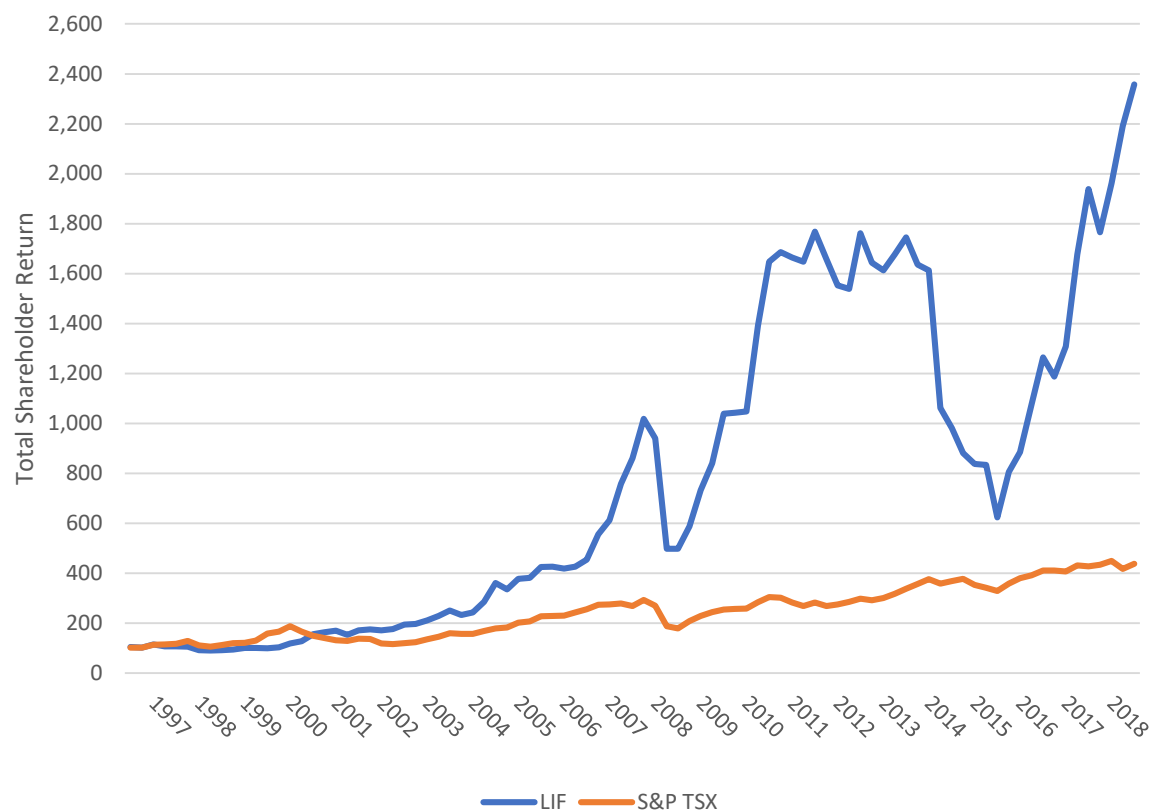
Notes:

(1) Adjusted for stock split

(2) Operating cash flow refers to all cash flow from operations less the IOC dividends

LIORC TOTAL SHAREHOLDER RETURN

- Total shareholder return⁽¹⁾ since issuance of LIF units in 1996 is 2257%
 - Represents a CAGR of 15.26%
- Over the same period of time the total shareholder return of the S&P/TSX Index is 337%
 - Represents a CAGR of 6.86%



Notes: (1) Based on a Q1 2019 average LIF price of \$28.84
 (2) Distributions reinvested on ex-dividend date
 (3) Average quarterly returns

Source: Bloomberg

OUTLOOK

- IOC outlook for production and sales tonnages remains positive
 - Rio Tinto's 2019 guidance for IOC total saleable production (CFS plus pellets) remains unchanged at between 19.2 to 20.9 million tonnes
 - The Moss Pit (Wabush 3) has opened and is expected to improve production, costs and blending and extend the mine life
- The price outlook for high quality iron ore products continues to be positive as a result of major supply disruptions
 - Robe Valley fines fire
 - Vale disaster
 - Recent cyclones in the Pilbara impacting Rio Tinto, FMG and BHP
- Longer term we continue to believe there will be strong demand by steelmakers for IOC's high quality, low impurity iron ore and pellets
- Third-party haulage on QNS&L continues to benefit IOC
- Weaker Canadian dollar keeps operating costs lower in US dollar terms
- On May 9, 2019 IOC declared a US\$125 million dividend. LIORC's portion is US\$18.9 million (or approximately C\$0.40 per LIORC share, assuming the closing USD/CAD exchange rate on May 9)

QUESTIONS

