Labrador Iron Ore Royalty Corporation

2017

FIRST QUARTER REPORT

To the Holders of Common Shares of Labrador Iron Ore Royalty Corporation

The Directors of Labrador Iron Ore Royalty Corporation ("LIORC" or the "Corporation") are pleased to present the first quarter report for the period ended March 31, 2017.

Royalty revenue for the first quarter of 2017 amounted to $42.8 million as compared to $21.8 million for the first quarter of 2016. The shareholders' cash flow from operations for the first quarter was $28.2 million or $0.44 per share as compared to $12.5 million or $0.19 per share for the same period in 2016. Net income was $42.9 million or $0.67 per share compared to $11.0 million or $0.17 per share for the same period in 2016. Equity earnings (losses) from Iron Ore Company of Canada ("IOC") amounted to $22.2 million as compared to ($0.5) million in 2016. LIORC received an IOC dividend in the first quarter of 2017 in the amount of $10.0 million or $0.16 per share.

The cash flow from operations, equity earnings and net income for the first quarter of 2017 were higher than the first quarter of 2016, mainly due to improved prices for concentrate, and improved production and sales tonnages. As reported by Bloomberg, the benchmark iron ore price of 62% Fe, CFR China averaged US$86 per tonne in the first quarter of 2017 and reached a high of US$95 in February. The comparable average price in the first quarter of 2016 was US$49 per tonne. Total sales tonnage of concentrate for sale ("CFS") plus pellets improved by 10% in the first quarter of 2017 compared to the same period in 2016.

LIORC's results for the three months ended March 31 are summarized below:

(in millions except per share information)	**2017**	**2016**
	(Unaudited)	
Revenue	$ 43.4	$ 22.3
Cash flow from operations	$ 28.2	$ 12.5
Operating cash flow per share	$ 0.44	$ 0.19
Net income	$ 42.9	$ 11.0
Net income per share	$ 0.67	$ 0.17

Iron Ore Company of Canada Operations

Production

In terms of production tonnages, IOC recorded a good start to 2017. Total concentrate production in the first quarter of 2017 of 4.8 million tonnes was 12% higher than the first quarter of 2016 and was the best first quarter production on record.

Pellet production in the first quarter of 2017 was 25% higher than the first quarter of 2016. In the first quarter of 2017 all six pellet lines operated and pellet production was as planned, whereas in the first quarter of 2016 there were availability issues in the pellet

plant. CFS production was 11% lower than in the first quarter of 2016 as more concentrate was consumed as pellet feed to support higher pellet production. Strong pellet demand in the quarter supported maximizing pellet production.

Sales

First quarter 2017 sales tonnage by IOC slightly exceeded production. In the first quarter of 2017, pellet sales tonnage was 21% higher and CFS sales tonnage was 1% lower than the corresponding quarter in 2016.

The benchmark price for 62% Fe CFR China was 77% higher in the first quarter of 2017 as compared to the first quarter of 2016 and pellet premiums were also much improved. The Canadian dollar was 4% stronger in the first quarter of 2017 as compared to the first quarter of 2016. As a result of the stronger CFR prices and pellet premiums, despite the stronger Canadian dollar, the royalty revenue for LIORC in the first quarter of 2017 was almost double the revenue in last year's first quarter.

A summary of IOC's sales for calculating the royalty to LIORC in millions of tonnes is as follows:

	3 Months Ended Mar. 31, 2017	**3 Months Ended Mar. 31, 2016**	**Year Ended Dec. 31, 2016**
Pellets	2.48	2.11	10.06
Concentrates[(1)]	2.19	2.05	8.17
Total	4.67	4.16	18.23

(1) Excludes third party ore sales

Outlook

As is usual for LIORC, the results for the balance of 2017 will be largely determined by the iron ore price. The benchmark prices for iron ore have fallen precipitously in the last few weeks, reportedly driven by concerns on a number of factors, including:

- Increasing supply of seaborne iron ore and increasing Chinese domestic supply.
- High inventory of iron ore product at Chinese ports.
- Lower Chinese steel consumption in 2017 with reduced margins for steelmakers which is resulting in low-grade ores being favoured.

None-the-less looking forward, there are favourable factors to consider, including:

- The expected improvement in production at IOC and the expected reduction in unit operating costs.
- The strong pellet premiums being achieved.
- Potentially a weaker Canadian dollar.

Production and costs are the main variables that can be controlled by IOC. The IOC employees and management have been making concerted efforts to increase production and reduce unit operating costs. We are encouraged by their progress and the good start to 2017. With the strong first quarter production performance, IOC expects to meet the 2017 plan of 22 million tonnes of concentrate produced.

The LIORC directors decided to use the recent IOC dividends and the strong royalty performances in the fourth quarter of 2016 and the first quarter of 2017 to replenish the Corporation's cash balance and to pay the regular dividend and a special dividend. The LIORC cash balance at March 31, 2017 stood at $36.1 million. The regular and special dividend of $32 million, declared on March 2, 2017 and paid on April 25, 2017, was more than offset by the IOC royalty payment received on the same date. With a strong cash balance, iron ore prices above US$60 per tonne, the exchange rate at present, and the expected increased production, LIORC is in a good position to maintain the regular dividend.

Respectfully submitted on behalf of the Directors of the Corporation,

William H. McNeil
President and Chief Executive Officer
May 2, 2017

Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis section of the Corporation's 2016 Annual Report and the financial statements and notes contained therein. 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 closing of the St. Lawrence Seaway and 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.

Royalty revenue for the first quarter of 2017 amounted to $42.8 million as compared to $21.8 million for the first quarter of 2016. The shareholders' cash flow from operations for the first quarter was $28.2 million or $0.44 per share as compared to $12.5 million or $0.19 per share for the same period in 2016. Net income was $42.9 million or $0.67 per share compared to $11.0 million or $0.17 per share for the same period in 2016. Equity earnings (losses) from IOC amounted to $22.2 million as compared to ($0.5) million in 2016. LIORC received an IOC dividend in the first quarter of 2017 in the amount of $10.0 million or $0.16 per share.

The cash flow from operations, equity earnings and net income for the first quarter of 2017 were higher than the first quarter of 2016, mainly due to improved prices for concentrate, and improved production and sales tonnages. As reported by Bloomberg, the benchmark iron ore price of 62% Fe, CFR China averaged US$86 per tonne in the first quarter of 2017 and reached a high of US$95 in February. The comparable average price in the first quarter of 2016 was US$49 per tonne. Total sales tonnage of CFS plus pellets improved by 10% in the first quarter of 2017 compared to the same period in 2016.

Administrative expenses for the quarter include a foreign exchange loss of $0.3 million on the conversion of the dividend received from IOC in December 2016.

Royalty and commission interests amortization expense increased $0.4 million for the quarter due to an increased amortization rate reflecting lower estimated total mineral resources over the prior year.

In terms of production and sales tonnages, IOC recorded a good start to 2017. Total concentrate production in the first quarter of 2017 of 4.8 million tonnes was 12% higher than the first quarter of 2016 and was the best first quarter production on record.

Pellet production in the first quarter of 2017 was 25% higher than the first quarter of 2016. In the first quarter of 2017 all six pellet lines operated and pellet production was as planned, whereas in the first quarter of 2016 there were availability issues in the pellet plant. CFS production was 11% lower than in the first quarter of 2016 as more concentrate

was consumed as pellet feed to support higher pellet production. Strong pellet demand in the quarter supported maximizing pellet production.

First quarter 2017 sales tonnage by IOC slightly exceeded production. In the first quarter of 2017, pellet sales tonnage was 21% higher and CFS sales tonnage was 1% lower than the corresponding quarter in 2016.

The benchmark price for 62% Fe CFR China was 77% higher in the first quarter of 2017 as compared to the first quarter of 2016 and pellet premiums were also much improved. The Canadian dollar was 4% stronger in the first quarter of 2017 as compared to the first quarter of 2016. As a result of the stronger CFR prices and pellet premiums, despite the stronger Canadian dollar, the royalty revenue for LIORC in the first quarter of 2017 was almost double the revenue in last year's first quarter.

The following table sets out quarterly revenue, net income and cash flow data for 2017, 2016 and 2015.

	Revenue	Net Income	Net Income per Share	Cash Flow	Cash Flow from Operations per Share	Adjusted Cash Flow per Share[1]	Dividends Declared per Share
	(in millions except per Share information)						
2017							
First Quarter	$ 43.4	$ 42.9	$ 0.67	$ 28.2[2]	$ 0.44[2]	$ 0.53[2]	$ 0.50
2016							
First Quarter	$ 22.3	$ 11.0	$ 0.17	$ 12.5	$ 0.19	$ 0.19	$ 0.25
Second Quarter	$ 25.8	$ 8.3	$ 0.13	$ 7.5	$ 0.12	$ 0.22	$ 0.25
Third Quarter	$ 28.4	$ 21.2	$ 0.33	$ 15.2	$ 0.24	$ 0.24	$ 0.25
Fourth Quarter	$ 38.6	$ 37.7	$ 0.59	$ 28.3[3]	$ 0.44[3]	$ 0.57[3]	$ 0.25
2015							
First Quarter	$ 23.7	$ 10.0	$ 0.16	$ 15.2	$ 0.24	$ 0.20	$ 0.25
Second Quarter	$ 24.0	$ 15.4	$ 0.24	$ 12.5	$ 0.20	$ 0.21	$ 0.25
Third Quarter	$ 32.0	$ 19.0	$ 0.30	$ 12.2	$ 0.19	$ 0.28	$ 0.25
Fourth Quarter	$ 22.0	$ 10.3	$ 0.15	$ 20.0	$ 0.31	$ 0.19	$ 0.25

(1) "Adjusted cash flow" (see below)

(2) Includes $10.0 million IOC dividend.

(3) Includes $15.1 million IOC dividend.

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 $0.44 for the quarter (2016 – $0.19). Cumulative standardized cash flow from inception of the Corporation is $22.98 per share and total cash distributions since inception is $22.44 per share, for a payout ratio of 98%.

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 Mar. 31, 2017	3 Months Ended Mar. 31, 2016
Standardized cash flow from operating activities	$ 28,182,002	$ 12,489,465
Excluding: changes in amounts receivable, accounts payable and income taxes recoverable and payable	5,441,488	(227,503)
Adjusted cash flow	$ 33,623,490	$ 12,261,962
Adjusted cash flow per share	$ 0.53	$ 0.19

Liquidity and Capital Resources

The Corporation had $36.1 million in cash as at March 31, 2017 (December 31, 2016 – $23.9 million) with total current assets of $84.4 million (December 31, 2016 – $62.9 million). The Corporation had working capital of $40.5 million (December 31, 2016 – $38.8 million). The Corporation's cash flow from operations was $28.2 million and the dividend paid during the quarter was $16.0 million, resulting in cash balances increasing $12.2 million during the first quarter of 2017.

Cash balances consist of deposits in Canadian dollars with Canadian chartered banks. 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 intends to pay cash dividends of the net income derived from IOC to the maximum extent possible, subject to the maintenance of appropriate levels of working capital.

The Corporation has a $50 million revolving credit facility with a term ending September 18, 2019 with provision for annual one-year extensions. No amount is currently drawn under this facility (2016 – nil) leaving $50.0 million available to provide for any capital required by IOC or requirements of the Corporation.

Outlook

As is usual for LIORC, the results for the balance of 2017 will be largely determined by the iron ore price. The benchmark prices for iron ore have fallen precipitously in the last few weeks, reportedly driven by concerns on a number of factors, including:

- Increasing supply of seaborne iron ore and increasing Chinese domestic supply.
- High inventory of iron ore product at Chinese ports.
- Lower Chinese steel consumption in 2017 with reduced margins for steelmakers which is resulting in low-grade ores being favoured.

None-the-less looking forward, there are favourable factors to consider, including:

- The expected improvement in production at IOC and the expected reduction in unit operating costs.
- The strong pellet premiums being achieved.
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Production and costs are the main variables that can be controlled by IOC. The IOC employees and management have been making concerted efforts to increase production and reduce unit operating costs. We are encouraged by their progress and the good start to 2017. With the strong first quarter production performance, IOC expects to meet the 2017 plan of 22 million tonnes of concentrate produced.

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William H. McNeil
President and Chief Executive Officer
Toronto, Ontario
May 2, 2017

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, exchange rates, the performance of IOC, market conditions in the steel industry, mining risks and insurance, relationships with aboriginal groups, changes affecting IOC's customers, competition from other iron ore producers, estimates of reserves and resources and government regulation and taxation. A discussion of these factors is contained in LIORC's annual information form dated March 2, 2017 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.sedar.com.

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 Balance Sheets

Canadian $	As at March 31, 2017	As at December 31, 2016
	(Unaudited)	
Assets		
Current Assets		
Cash	$ 36,118,990	$ 23,936,988
Amounts receivable (note 4)	48,276,254	38,487,316
Income taxes recoverable	—	490,345
Total Current Assets	84,395,244	62,914,649
Non-Current Assets		
Iron Ore Company of Canada ("IOC"), royalty and commission interests	263,840,153	265,383,753
Investment in IOC (note 5)	420,787,357	408,679,560
Total Non-Current Assets	684,627,510	674,063,313
Total Assets	$ 769,022,754	$ 736,977,962
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 9,813,386	$ 8,072,608
Dividend payable	32,000,000	16,000,000
Taxes Payable	2,116,327	—
Total Current Liabilities	43,929,713	24,072,608
Non-Current Liabilities		
Deferred income taxes (note 6)	130,430,000	129,060,000
Total Liabilities	174,359,713	153,132,608
Shareholders' Equity		
Share capital	317,708,147	317,708,147
Retained earnings	287,501,894	276,588,207
Accumulated other comprehensive loss	(10,547,000)	(10,451,000)
	594,663,041	583,845,354
Total Liabilities and Shareholders' Equity	$ 769,022,754	$ 736,977,962

See accompanying notes to interim condensed consolidated financial statements.

Approved by the Directors,

William H. McNeil
Director

Patricia M. Volker
Director

Labrador Iron Ore Royalty Corporation
Interim Condensed Consolidated Statements of Comprehensive Income

Canadian $	For the Three Months Ended March 31, 2017	2016
	(Unaudited)	
Revenue		
IOC royalties	$ 42,836,753	$ 21,835,878
IOC commissions	460,115	410,313
Interest and other income	58,842	47,646
	43,355,710	22,293,837
Expenses		
Newfoundland royalty taxes	8,567,350	4,367,176
Amortization of royalty and commission interests	1,543,600	1,188,467
Administrative expenses	1,049,245	676,076
	11,160,195	6,231,719
Income before equity earnings and income taxes	32,195,515	16,062,118
Equity earnings (losses) in IOC	22,236,844	(463,597)
Income before income taxes	54,432,359	15,598,521
Provision for income taxes (note 6)		
Current	10,131,672	4,988,623
Deferred	1,387,000	(388,000)
	11,518,672	4,600,623
Net income for the period	42,913,687	10,997,898
Other comprehensive loss		
Share of other comprehensive loss of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2017 – $17,000; 2016 – $32,000)	(96,000)	(188,000)
Comprehensive income for the period	$ 42,817,687	$ 10,809,898
Net income per share	$ 0.67	$ 0.17

See accompanying notes to interim condensed consolidated financial statements.

Labrador Iron Ore Royalty Corporation
Interim Condensed Consolidated Statements of Cash Flows

Canadian $	For the Three Months Ended March 31, 2017	2016
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	$ 42,913,687	$ 10,997,898
Items not affecting cash:		
Equity (earnings) losses in IOC	(22,236,844)	463,597
Current income taxes	10,131,672	4,988,623
Deferred income taxes	1,387,000	(388,000)
Amortization of royalty and commission interests	1,543,600	1,188,467
Common share dividend from IOC	10,016,047	—
Change in amounts receivable	(9,788,938)	936,916
Change in accounts payable	1,740,778	(296,115)
Income taxes paid	(7,525,000)	(5,401,921)
Cash flow from operating activities	28,182,002	12,489,465
Financing		
Dividends paid to shareholders	(16,000,000)	(16,000,000)
Cash flow used in financing activities	(16,000,000)	(16,000,000)
Increase (decrease) in cash, during the period	12,182,002	(3,510,535)
Cash, beginning of period	23,936,988	24,463,512
Cash, end of period	$ 36,118,990	$ 20,952,977

See accompanying notes to interim condensed consolidated financial statements.

Labrador Iron Ore Royalty Corporation
Interim Condensed Consolidated Statements of Changes In Equity

Canadian $	**Share capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Total**
Balance as at December 31, 2015	$ 317,708,147	$ 262,415,545	$(11,150,000)	$ 568,973,692
Net income for the period	—	10,997,898	—	10,997,898
Dividends declared to shareholders	—	(16,000,000)	—	(16,000,000)
Share of other comprehensive loss from investment in IOC (net of taxes)	—	—	(188,000)	(188,000)
Balance as at March 31, 2016	$ 317,708,147	$ 257,413,443	$(11,338,000)	$ 563,783,590
Balance as at December 31, 2016	$ 317,708,147	$ 276,588,207	$(10,451,000)	$ 583,845,354
Net income for the period	—	42,913,687	—	42,913,687
Dividends declared to shareholders	—	(32,000,000)	—	(32,000,000)
Share of other comprehensive loss from investment in IOC (net of taxes)	—	—	(96,000)	(96,000)
Balance as at March 31, 2017	$ 317,708,147	$ 287,501,894	$(10,547,000)	$ 594,663,041

See accompanying notes to interim condensed consolidated financial statements.

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, delivered and shipped by IOC, a $0.10 per tonne commission interest on sales of iron ore 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, 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

The interim condensed consolidated financial statements have been prepared in accordance with IAS 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 2, 2017.

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, 2016. 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, 2016.

Future changes in accounting policies

The Corporation has evaluated the impact of accounting policy changes effective January 1, 2017 and has determined that there are no policy changes that impact the interim condensed consolidated financial statements for the period ended March 31, 2017. Future changes in accounting standards which may impact the December 31, 2017 consolidated

financial statements pertain to adoption of IFRS 9 *Financial Instruments and* IFRS 15 *Revenue from Contracts with Customers*. The mandatory effective date of these standards is on or after January 1, 2018.

4. Amounts Receivable

	March 31 2017	December 31 2016
IOC royalties	$ 47,813,462	$ 38,334,355
IOC commissions	189,385	130,036
Other	273,407	22,925
	$ 48,276,254	$ 38,487,316

5. Investment in IOC

The Corporation holds, directly and through Hollinger-Hanna, all of the Series B and Series C common shares of IOC, representing a 15.10% equity interest in IOC as at March 31, 2017 and December 31, 2016. The Series B and Series C common shares have identical voting rights to all other issued and outstanding common shares of IOC.

	March 31 2017	December 31 2016
Investment in IOC, beginning of period	$ 408,679,560	$ 398,327,969
Equity earnings in IOC	22,236,844	24,722,536
Other comprehensive (loss) income of IOC	(113,000)	746,000
Common share dividend received	(10,016,047)	(15,116,945)
Investment in IOC, end of period	$ 420,787,357	$ 408,679,560

The net excess of cost of the Investment in IOC over the net book value of underlying net assets from the date of acquisition amounts to $45,125,000 as at March 31, 2017 (December 31, 2016 – $45,389,000) and is being amortized to net income on the units-of-production method based on production and reserve estimates 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 March 31	
	2017	**2016**
Income before income taxes	$ 54,432,359	$ 15,598,521
Income taxes at combined federal and provincial statutory tax rates of 30.0% (2016 – 29.0%)	16,329,708	4,523,571
Increase (decrease) in income taxes resulting from:		
Undistributed equity earnings in investment in IOC	(3,335,527)	67,222
Equity earnings distributed as dividends	(1,502,407)	—
Other	26,898	9,830
Income tax expense	$ 11,518,672	$ 4,600,623

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, 2016				
Difference in tax and book value of assets	$ 125,452,691	$ 4,293,948	$ 47,000	$ 129,793,639
Tax benefit of deductible temporary differences	(782,691)	49,052	—	(733,639)
Net deferred income tax liability	$ 124,670,000	$ 4,343,000	$ 47,000	$ 129,060,000
March 31, 2017				
Difference in tax and book value of assets	$ 129,793,639	$ 1,369,804	$ (17,000)	$ 131,146,443
Tax benefit of deductible temporary differences	(733,639)	17,196	—	(716,443)
Net deferred income tax liability	$ 129,060,000	$ 1,387,000	$ (17,000)	$ 130,430,000

7. Key Management Personnel Compensation

Key management personnel are the President and Chief Executive Officer, the Executive Vice President & Secretary, the Executive Vice President, the Chief Financial Officer and directors. Their remuneration for the three months ended March 31, 2017 was comprised of salaries, bonuses and fees totaling $384,000 (2016 – salaries and fees of $257,000). The 2016 bonuses awarded by the Compensation Committee to the executive officers totalling $145,000 were paid in the first quarter of 2017.

Corporate Information

Administration and Investor Relations

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Directors

William H. McNeil
President and Chief Executive Officer
Labrador Iron Ore Royalty Corporation

William J. Corcoran(1)
Company Director

Mark J. Fuller(1)
President and CEO of Ontario Pension Board

Duncan N.R. Jackman(1)
Chairman, President and CEO of
E-L Financial Corporation Limited

James C. McCartney
Company Director
Retired Partner, McCarthy Tétrault LLP

Sandra L. Rosch
President, Stonecrest Capital Inc.

Patricia M. Volker(1)
Company Director

Officers

William J. Corcoran
Non-Executive Chairman of the Board

William H. McNeil
President and Chief Executive Officer

James C. McCartney
Executive Vice President and Secretary

Sandra L. Rosch
Executive Vice President

Alan R. Thomas
Chief Financial Officer

(1) *Member of Audit, Nominating and Compensation Committees*

Registrar & Transfer Agent

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Legal Counsel

McCarthy Tétrault LLP
Toronto, Ontario

Auditors

PricewaterhouseCoopers LLP
Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange

Symbol

LIF

Website

www.labradoriron ore.com

E-mail

investor.relations@labradoriron ore.com

Labrador Iron Ore Royalty Corporation

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