

# LABRADOR IRON ORE ROYALTY INCOME FUND

## P R E S S   R E L E A S E

### Market Update and \$0.50 per Unit Distribution

**Toronto, December 12, 2008**

In recent weeks, iron ore markets have weakened substantially with most producers, including Iron Ore Company of Canada (IOC), cutting back production in order to avoid building up excessive inventories. The Trustees of the Labrador Iron Ore Royalty Income Fund are currently expecting fourth quarter IOC sales to be below budget. The first quarter of 2009 is also expected to be much slower than usual, with demand not picking up until later in the year.

In order to balance production with expected demand, IOC expects to run at approximately 80% of production capacity during 2009. This will be achieved by a number of measures, including shutting down all production facilities for the month of July. In addition it is suspending the completion of its planned \$800 million expansion of mining and production facilities at Labrador City. These matters will be reviewed when market conditions stabilize.

The Trustees declared today a regular quarterly cash distribution of \$0.50 per Trust Unit payable to holders of record at the close of business on December 31, 2008 and to be paid on January 26, 2009.

For tax purposes, the income from the cash distribution of \$0.50 per Trust Unit will be considered to be income in 2008 allocated as follows:

- Interest income of \$0.143
- Dividend income of \$0.357

In light of current market conditions, the Trustees have decided not to pay a special distribution at this time but to retain the surplus funds to enable the Fund to pay its regular distribution in the first quarter of 2009 without the necessity of incurring debt.

The Fund through its wholly owned subsidiaries holds a 15.1% equity interest in IOC and receives a 7% gross overriding royalty and a 10¢ per tonne commission on all iron ore products produced, sold and shipped by IOC.

For further information, please contact:

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