LABRADOR IRON ORE ROYALTY INCOME FUND

P R E S S R E L E A S E

Toronto, August 10, 2010

RESULTS FOR THE SECOND QUARTER ENDED JUNE 30, 2010

Labrador Iron Ore Royalty Income Fund (TSX: LIF.UN) announced its results for the second quarter ended June 30, 2010.

This is the last quarterly report of the Fund. Next quarter, we will be reporting as Labrador Iron Ore Royalty Corporation (the "Corporation). The conversion under the Arrangement approved by the Unitholders at the Annual and Special Meeting became effective on July 1, 2010. The Corporation's stapled securities (shares and notes) continue to trade on the Toronto Stock Exchange under the symbol LIF.UN.

Royalty income for the second quarter of 2010 amounted to $52.10 million as compared to $19.24 million for the second quarter of 2009. The Fund's cash flow from operating activities after adjustments for changes in amounts receivable, accounts payable and income taxes payable (adjusted cash flow) for the second quarter was $30.48 million or $0.95 per unit as compared to $12.58 million or $0.39 per unit for the same period in 2009. Net income was $69.07 million or $2.16 per unit compared to $17.78 million or $0.55 per unit for the same period in 2009.

The second quarter reflected pricing adjustments for pellets and concentrates negotiated in the second quarter relating to 2010 first quarter shipments. These adjustments increased 2010 second quarter royalty income by $10.4 million or $0.33 per unit ($0.18 per unit after royalty and income taxes) and equity earnings from Iron Ore Company of Canada ("IOC") by $14.2 million or $0.44 per unit ($0.31 per unit after future income taxes). Without the inclusion of these adjustments, adjusted cash flow per unit in the second quarter of 2010 would have been $0.77 per unit and net income per unit would have been $1.67 per unit.

In 2010, the majority of seaborne traded iron ore contract volumes is reported to have moved from being priced on an annual to a quarterly basis (generally quarterly prices are based on spot prices for the three months preceding the month before the start of the quarter) to better reflect the significantly increased volatility in iron demand and contract servicing by customers in recent years. After reviewing industry pricing trends and extensive discussions with a range of customers, IOC is also moving to use quarterly pricing for term contract shipments in 2010, together with spot pricing for non-term contract sales. Quarterly index pricing was first applied in the Asian iron ore market and is based on the concept of equalized delivered prices to Asia for ore of similar quality. Applying index pricing in a North American and European context and for products where no recognized market index yet exists has required extensive consultation with customers on the implementation of the quarterly pricing mechanism. At the close of the half year, IOC was using a mixture of agreed quarterly pricing together with provisional pricing with those customers where pricing discussions were still ongoing. Where quarterly pricing arrangements have been implemented, pellet price increases for IOC for the second quarter 2010 (based upon average index prices in the period December to February 2010) exceed 100% compared to the same period of 2009. IOC sees 2010 as a period of transition for iron ore pricing mechanisms and it is not yet clear how these may further evolve in the future.

Equity earnings from IOC amounted to $46.39 million ($1.45 per unit) as compared to $7.25 million ($0.23 per unit) in 2009. Second quarter equity earnings from IOC were increased by $14.2 million or $0.44 per unit as a result of the aforementioned price adjustments to first quarter shipments.

Results for the three months and six months ended June 30 are summarized below:

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
	(Unaudited)			
Revenue (in millions)	$52.55	$19.66	$69.22	$36.26
Adjusted cash flow (in millions)	$30.48	$12.58	$52.81	$23.69
Adjusted cash flow per unit	$ 0.95	$ 0.39	$ 1.65	$ 0.74
Net income (in millions)	$ 69.07	$ 17.78	$ 84.49	$ 34.31
Net income per unit	$ 2.16	$ 0.55	$ 2.64	$ 1.07

"Adjusted cash flow" (defined as cash flow from operating activities as shown on the attached financial statements adjusted for changes in amounts receivable, accounts payable and income taxes payable) is not a recognized measure under Canadian GAAP. The Trustees believe that adjusted cash flow is a useful analytical measure as it better reflects cash available for distributions to unitholders.

A summary of IOC's sales in millions of tonnes is as follows:

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009	Year Ended Dec. 31, 2009
Pellets	3.00	2.41	5.67	3.62	9.01
Concentrates	1.45	1.83	1.76	2.75	5.23
Total	4.45	4.24	7.43	6.37	14.24

Reorganization

The reorganization that was approved by the Unitholders at the Annual Special Meeting on May 19, 2010 became effective on July 1 and each Unitholder is now the direct holder of one common share and a 12.08% $7.75 subordinated note of Labrador Iron Ore Royalty Corporation for each Unit held. These securities are trading as stapled units on the Toronto Stock Exchange. In effect the securities that were previously held by the Fund are now held directly by the Unitholders. Owners of the stapled units will continue to receive regular quarterly payments of interest and dividends as in the past.

Outlook

As we reported last quarter, the iron ore markets which had weakened substantially last year, have recovered with Asia remaining strong and most of the rest of the world returning closer to normal operating levels. During the second quarter, spot prices continued to increase, reaching record levels, but late in the second quarter they weakened. Although there is volatility in the markets the general tone remains positive. With IOC expecting to sell all the iron ore it can produce and pricing in U.S. dollars approaching record levels, we expect 2010 to be a very satisfactory year. The strength of the Canadian dollar against its U.S. counterpart will have a negative affect on revenue but should only marginally offset the positive effect of increased volume and pricing.

Respectfully submitted on behalf of the Trustees of Labrador Iron Ore Royalty Income Fund,

Bruce C. Bone
Chairman and Chief Executive Officer
August 10, 2010

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 Fund's 2009 Annual Report and the interim financial statements and notes contained in this report. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risk and uncertainties including the factors discussed in the Fund's 2009 Annual Report.

The Fund's revenues are entirely dependent on the operations of Iron Ore Company of Canada ("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 Fund's royalty revenue is affected by the price of iron ore and the Canadian – U.S. dollar exchange rate.

The sales of IOC are usually 15% – 20% of the annual volume in the first quarter, 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 income for the second quarter of 2010 amounted to $52.10 million as compared to $19.24 million for the second quarter of 2009. The Fund's cash flow from operating activities after adjustments for changes in amounts receivable, accounts payable and income taxes payable (adjusted cash flow) for the second quarter was $30.48 million or $0.95 per unit as compared to $12.58 million or $0.39 per unit for the same period in 2009. Net income was $69.07 million or $2.16 per unit as compared to $17.78 million or $0.55 per unit for the same period in 2009.

The second quarter reflected pricing adjustments for pellets and concentrates negotiated in the second quarter relating to 2010 first quarter shipments. These adjustments increased 2010 second quarter royalty income by $10.4 million or $0.33 per unit ($0.18 per unit after royalty and income taxes) and equity earnings from Iron Ore Company of Canada (IOC) by $14.2 million or $0.44 per unit ($0.31 per unit after deferred income taxes). Without the inclusion of these adjustments, adjusted cash flow per unit in the second quarter of 2010 would have been $0.77 per unit and net income per unit would have been $1.67 per unit.

In 2010, the majority of seaborne traded iron ore contract volumes is reported to have moved from being priced on an annual to a quarterly basis (generally quarterly prices are based on spot prices for the three months preceding the month before the start of the quarter) to better reflect the significantly increased volatility in iron demand and contract servicing by customers in recent years. After reviewing industry pricing trends and extensive discussions with a range of customers, IOC is also moving to use quarterly pricing for term contract shipments in 2010, together with spot pricing for non-term contract sales. Quarterly index pricing was first applied in the Asian iron ore market and is based on the concept of equalized delivered prices to Asia for ore of similar quality. Applying index pricing in a North American and European context and for products where no recognized market index yet exists has required extensive consultation with customers on the implementation of the quarterly pricing mechanism. At the close of the half year, IOC was using a mixture of agreed quarterly pricing together with provisional pricing with those customers where pricing discussions were still ongoing. Where quarterly pricing arrangements have been implemented, pellet price increases for IOC for the second quarter 2010 (based upon average index prices in the period December to February 2010) exceed 100% compared to the same period of 2009. IOC sees 2010 as a period of transition for iron ore pricing mechanisms and it is not yet clear how these may further evolve in the future.

Equity earnings from IOC amounted to $46.39 million ($1.45 per unit) as compared to $7.25 million ($0.23 per unit) in 2009. Second quarter equity earnings from IOC were increased by $14.2 million or $0.44 per unit and net income were increased by $15.8 million or $0.49 per unit to $1.67 as a result of the aforementioned price adjustments to first quarter shipments.

The six month results were affected by the same factors as the quarter and reflect the increased volume and substantially higher pricing which have occurred as a result of the substantially improved iron ore markets.

The following table sets out quarterly revenue, net income and cash flow data for 2010, 2009 and 2008.

	Revenue	Net Income	Net Income per Unit	Adjusted Cash Flow[1]	Adjusted Cash Flow per Unit[1]	Distributions Declared per Unit
			(in millions except per Unit information)			
2010						
First Quarter	$16.7	$15.4	$0.48	$22.3[2]	$0.70	$0.75
Second Quarter	$52.5	$69.1	$2.16	$30.5	$0.95	$0.75
2009						
First Quarter	$16.6	$16.5	$0.52	$11.1	$0.35	$0.50
Second Quarter	$19.7	$17.8	$0.55	$12.6	$0.39	$0.50
Third Quarter	$15.8	$13.6	$0.43	$18.8[3]	$0.59	$0.50
Fourth Quarter	$24.9	$27.2	$0.85	$15.8	$0.49	$0.50
2008						
First Quarter	$16.6	$10.8	$0.34	$10.4	$0.32	$0.35
Second Quarter	$58.1	$73.9	$2.31	$32.9	$1.03	$1.00
Third Quarter	$43.7	$65.6	$2.05	$104.1[4]	$3.25	$3.00
Fourth Quarter	$45.0	$26.2	$0.82	$27.5	$0.86	$0.50

Notes:
(1) "Adjusted cash flow" (see below)
(2) Includes a $11.5 million IOC dividend
(3) Includes a $8.2 million IOC dividend
(4) Includes a $77.9 million IOC dividend

Standardized Cash Flow and Adjusted Cash Flow

For the Fund, standardized cash flow is the same as cash flow from operating activities as recorded in the Fund's cash flow statements as the Fund does not incur capital expenditures or have any restrictions on distributions. Standardized cash flow per unit was $0.31 for the quarter (2009 - $0.33). Cumulative standardized cash flow from inception of the trust is $24.75 per unit and total cash distributions since inception are $24.43 per unit, for a payout ratio of 99%.

"Adjusted cash flow" is defined as cash flow from operating activities as shown on the attached financial statements adjusted for changes in amounts receivable, accounts payable and income taxes payable. It is not a recognized measure under Canadian GAAP. The Trustees believe that adjusted cash flow is a useful analytical measure as it better reflects cash available for distributions to Unitholders.

The following reconciles cash flow from operating activities to adjusted cash flow.

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2010
Standardized cash flow from operating activities	$10,042,659	$10,681,572	$37,901,972	$13,203,469
Excluding: changes in amounts receivable, accounts payable and income taxes payable	20,437,593	1,894,773	14,910,576	10,487,330
Adjusted cash flow	$30,480,252	$12,576,345	$52,812,548	$23,690,799
Adjusted cash flow per unit	$0.95	$0.39	$1.65	$0.74

Liquidity

The Fund has a $50 million revolving credit facility with a term ending September 18, 2013 with provision for annual one-year extensions. No amounts are currently drawn under this facility (2009 – nil) leaving $50 million available to provide for any capital required by IOC or other Fund requirements.

Transition to International Financial Reporting Standards ("IFRS")

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards for the years beginning on or after January 1, 2011. The objective of the change is to move towards the use of a single set of world-wide accounting standards and improve financial reporting and transparency. The Fund will adopt IFRS starting January 1, 2011.

The current focus of the Fund's transition plan to IFRS relates to its investment in shares of IOC accounted for under the equity method. In coordination with IOC and its advisors, a plan has been developed including preliminary study, project set-up, component evaluations, preparation of IFRS financial statements and, finally integration. Component evaluations are underway to analyze IFRS/Canadian GAAP accounting differences. Certain accounting principles currently followed by IOC that differ from IFRS standards have been identified in the following significant areas:

- Property, plant and equipment
- Deferred stripping costs
- Impairment of assets
- Asset retirement obligations
- Employee benefits

The project is expected to be completed in the third quarter of this year, at which point IOC will be in a position to make final decisions as to what impact the change to IFRS will have on its earnings and hence the Fund's reported share of those earnings.

Further updates on implementation progress and any changes to reporting impacts from the adoption of IFRS will be provided during the implementation period leading up to January 1, 2011.

Reorganization

The reorganization that was approved by the Unitholders at the Annual Special Meeting on May 19, 2010 became effective on July 1 and each Unitholder is now the direct holder of one common share and a 12.08% $7.75 subordinated note of Labrador Iron Ore Royalty Corporation for each Unit held. These securities are trading as stapled units on the Toronto Stock Exchange. In effect the securities that were previously held by the Fund are now held directly by the Unitholders. Owners of the stapled units will continue to receive regular quarterly payments of interest and dividends as in the past.

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Bruce C. Bone
Chairman and Chief Executive Officer
Toronto, Ontario
August 10, 2010

LABRADOR IRON ORE ROYALTY INCOME FUND
CONSOLIDATED BALANCE SHEETS

	As at	
	June 30 2010 (Unaudited)	December 31 2009
Assets		
Current		
Cash and cash equivalents	$ 4,104,985	$ 6,203,013
Amounts receivable	52,839,382	24,987,043
	56,944,367	31,190,056
Deferred charges	268,666	310,000
Iron Ore Company of Canada ("IOC"), royalty and commission interests	294,694,584	297,489,943
Investment in IOC	250,351,574	210,950,091
	$ 602,259,191	$ 539,940,090
Liabilities and Unitholders' Equity		
Current		
Accounts payable	$ 10,716,341	$ 5,233,229
Income taxes payable	7,968,213	509,562
Distributions payable to unitholders	24,000,000	16,000,000
	42,684,554	21,742,791
Future income tax liability	109,940,000	105,050,000
	152,624,554	126,792,791
Unitholders' equity		
Trust units	317,708,147	317,708,147
Retained earnings	131,926,490	95,439,152
	449,634,637	413,147,299
	$ 602,259,191	$ 539,940,090

LABRADOR IRON ORE ROYALTY INCOME FUND
CONSOLIDATED STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME AND UNDISTRIBUTED INCOME

	For the Three Months Ended June 30, 2010	2009
	(Unaudited)	
Revenue		
IOC royalties	$ 52,103,871	$ 19,237,019
IOC commissions	401,261	417,231
Interest and other income	44,392	11,498
	52,549,524	19,665,748
Expenses		
Newfoundland royalty taxes	10,458,850	3,847,404
Amortization of royalty and commission interests	1,497,889	1,359,002
Administrative expenses *(note 2)*	718,405	580,514
Interest expense	114,158	114,160
	12,789,302	5,901,080
Income before equity earnings and income taxes	39,760,222	13,764,668
Equity earnings in IOC	46,391,120	7,248,111
Income before income taxes	86,151,342	21,012,779
Provision for income taxes		
Current	10,798,526	2,567,992
Future	6,280,000	660,000
	17,078,526	3,227,992
Net income and comprehensive income for the period	69,072,816	17,784,787
Retained earnings, beginning of period	86,853,674	84,897,377
Distributions to unitholders	(24,000,000)	(16,000,000)
Retained earnings, end of period	$ 131,926,490	$ 86,682,164
Net income per unit	$ 2.16	$ 0.55

LABRADOR IRON ORE ROYALTY INCOME FUND
CONSOLIDATED STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME AND UNDISTRIBUTED INCOME

	For the Six Months Ended June 30, 2010	2009
	(Unaudited)	
Revenue		
IOC royalties	$ 68,478,362	$ 35,502,120
IOC commissions	694,986	626,760
Interest and other income	49,135	130,468
	69,222,483	36,259,348
Expenses		
Newfoundland royalty taxes	13,733,748	7,100,424
Amortization of royalty and commission interests	2,795,359	2,041,139
Administrative expenses *(note 2)*	1,440,635	898,792
Interest expense	227,287	227,292
	18,197,029	10,267,647
Income before equity earnings and income taxes	51,025,454	25,991,701
Equity earnings in IOC	50,906,535	14,043,686
Income before income taxes	101,931,989	40,035,387
Provision for income taxes		
Current	12,554,651	4,383,375
Future	4,890,000	1,340,000
	17,444,651	5,723,375
Net income and comprehensive income for the period	84,487,338	34,312,012
Retained earnings, beginning of period	95,439,152	84,370,152
Distributions to unitholders	(48,000,000)	(32,000,000)
Retained earnings, end of period	$ 131,926,490	$ 86,682,164
Net income per unit	$ 2.64	$ 1.07

LABRADOR IRON ORE ROYALTY INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended June 30, 2010	2009
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	$ 69,072,816	$ 17,784,787
Items not affecting cash:		
Equity earnings in IOC	(46,391,120)	(7,248,111)
Future income taxes	6,280,000	660,000
Amortization of royalty and commission interests	1,497,889	1,359,002
Amortization of deferred charges	20,667	20,667
Change in amounts receivable, accounts and income taxes payable	(20,437,593)	(1,894,773)
Cash flow from operating activities	10,042,659	10,681,572
Financing		
Distributions paid to unitholders	(24,000,000)	(16,000,000)
	(24,000,000)	(16,000,000)
Decrease in cash and cash equivalents during the period	(13,957,341)	(5,318,428)
Cash and cash equivalents, beginning of period	18,062,326	14,317,467
Cash and cash equivalents, end of period	$ 4,104,985	$ 8,999,039
Cash and cash equivalents are comprised of:		
Cash in bank	$ 1,770,744	$ 389,244
Term deposits	2,334,241	8,609,795
	$ 4,104,985	$ 8,999,039
Cash income taxes paid	$ 2,382,000	$ 799,150
Cash interest paid	$ 92,466	$ 92,466

LABRADOR IRON ORE ROYALTY INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30, 2010	2009
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	$ 84,487,338	$ 34,312,012
Items not affecting cash:		
Equity earnings in IOC	(50,906,535)	(14,043,686)
Future income taxes	4,890,000	1,340,000
Amortization of royalty and commission interests	2,795,359	2,041,139
Amortization of deferred charges	41,334	41,334
Common share dividend received from IOC	11,505,052	-
Change in amounts receivable, accounts payable and income taxes payable	(14,910,576)	(10,487,330)
Cash flow from operating activities	37,901,972	13,203,469
Financing		
Distributions paid to unitholders	(40,000,000)	(32,000,000)
	(40,000,000)	(32,000,000)
Decrease in cash and cash equivalents during the period	(2,098,028)	(18,796,531)
Cash and cash equivalents, beginning of period	6,203,013	27,795,570
Cash and cash equivalents, end of period	$ 4,104,985	$ 8,999,039
Cash and cash equivalents are comprised of:		
Cash in bank	$ 1,770,744	$ 389,244
Term deposits	2,334,241	8,609,795
	$ 4,104,985	$ 8,999,039
Cash income taxes paid	$ 5,096,000	$ 28,094,297
Cash interest paid	$ 186,987	$ 186,987

For further information, please contact:
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