

Labrador Iron Ore Royalty Corporation - 2023 Results Of Operations

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TORONTO, March 12, 2024 - [Labrador Iron Ore Royalty Corp.](#) (TSX: LIF) announced the results of its operations for the year ended December 31, 2023.

To the Holders of Common Shares of [Labrador Iron Ore Royalty Corp.](#)

The Directors of [Labrador Iron Ore Royalty Corp.](#) ("LIORC" or the "Corporation") present the Annual Report for the year ended December 31, 2023.

86 Years in Labrador West

[Labrador Iron Ore Royalty Corp.](#) has been involved in Labrador West for 86 years. Under a Statutory Agreement with the Government of Labrador made in 1938, a predecessor company, Labrador Mining and Exploration Limited ("LM&E"), was granted extensive exploring and mining rights in Labrador West. LM&E found the iron ore bodies that now constitute the mine operated by Iron Ore Company of Canada (IOC). LM&E received grants of leases and licences under the Statutory Agreement. It also received a grant of surface rights to the town site that became Labrador City. LM&E sublets the leases to IOC and IOC, with major steel companies as original tenants, built the infrastructure, mine, railway and port. Under the sublease, LIORC receives a 7% gross overriding royalty on iron ore produced and sold by IOC.

Financial Performance

In 2023, LIORC's financial results were negatively impacted by lower iron ore prices and lower pellet premiums, as well as a less advantageous product mix (lower volumes of pellet sales and higher volumes of concentrate for sale ("CFS") sales). Net income per share for the year ended December 31, 2023 was \$2.91 per share, which was a 30% decrease over 2022. The cash flow per share for 2023 was \$2.38 per share, which was 17% lower than in 2022 due to lower royalty revenues and decreased dividends from IOC. IOC dividends decreased as a result of lower earnings at IOC and a decision by IOC to pay lower shareholder dividends to retain a higher cash balance due in part to expectations of higher capital expenditure needs going forward. In 2023, IOC paid its shareholders totalling US\$250 million and had a year-end net working capital balance of US\$345.8 million, compared to US\$345 million and a year-end net working capital balance of US\$274.7 million in 2022.

In December 2023 steel production in China, which had seen 1.5% growth year-to-date, dropped 15% relative to December 2022. As a result, global steel production ended the year flat relative to 2022, and 5% lower than 2021, when the market experienced a significant increase in demand for iron ore. On the supply side, three producers, Rio Tinto, BHP and Vale, account for over half the world's volume of steel. The combined production of iron ore in calendar 2023 by these producers was 907 million tonnes, an increase of 2.4% over 2022.

IOC sells CFS based on the the Platts index for 65% Fe, CFR China (the "65% Fe index"). All references to tonnes and tonnage in this report refer to wet metric tonnes, other than references to Platts quoted pricing, which refer to dry metric tonnes. Wet ore contains approximately 3% less ore per equivalent volume than dry ore. In 2023, the average price for the 65% Fe index was US\$132 per tonne, a decrease of 5% year over year. The 65% Fe index continued to be quite volatile throughout the year, starting at US\$131 per tonne and trading as low as US\$110 per tonne in May, before ending the year at US\$151 per tonne.

In addition to the reduction in iron ore prices, pellet premiums dropped as steel producers, faced with tightening profit margins, switched to high quality pellets with cheaper, lower quality iron feed.

The monthly Atlantic Blast Furnace 65% Fe pellet premium index as quoted by Platts (the "pellet premium") averaged US\$151 per tonne in 2023, a decrease of 38% from 2022.

Rio Tinto disclosed that IOC achieved an average realised price for pellets, FOB Sept-Îles of approximately US\$155 per tonne, a decrease of 18% year over year. 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\$130 per tonne in 2023, a decrease of 15% year over year. The decrease in the average realized price FOB Sept-Îles in 2023 was a result of lower CFS and pellet prices.

Iron Ore Company of Canada Operations

Operations

Total concentrate production in 2023 was 17.7 million tonnes. This was 7% lower than 2022. While concentrate production in the fourth quarter of 2023 compared to the fourth quarter of 2022, this was not enough to offset the lower concentrate production in the third quarter due to unexpected equipment failures with the thickener rake drive and the overland delivery system conversion. Lower concentrate production in the second quarter due to the impact of the forest fires.

The IOC saleable production (CFS plus pellets) of 16.5 million tonnes in 2023 was 6% lower than 2022 and was 8% lower than the end of the range of Rio Tinto's original annual guidance of 17.9 to 19.6 million tonnes, due to extended plant downtime in the third quarters as a result of the equipment failures and forest fires referred to above. Saleable production in the fourth quarter of 2023 was 7% higher than the fourth quarter of 2022. In 2023, CFS production of 8.2 million tonnes was 3% higher than 2022, mainly due to less concentrate being diverted to make pellets. Pellet production in 2023 of 8.3 million tonnes was 14% higher than 2022, partly as a result of lack of feed, as well as an increase in the duration of the induration machine 3 rebuild.

Despite the forest fires that limited rail service in the second quarter of 2023, third party iron ore haulage by the Québec Labrador Railway Company, Inc. ("QNS&L") of 17.7 million tonnes in 2023 was 21% higher than in 2022 and 38% higher than 2021, predominantly due to increased shipments of iron ore from Champion Iron Limited.

Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 16.3 million tonnes in 2023 was 1% lower than the total sales tonnage in 2022, predominantly due to inventory availability in both 2023 and 2022.

Capital Expenditures

Capital expenditures for IOC were US\$362 million in 2023, or 2% lower than 2022. Capital expenditures in 2023 were 1% lower than the US\$407 million that IOC had originally forecasted, mainly due to the decision by IOC to defer certain capital projects, including shovel 101 at the mine and culvert replacements along the QNS&L line, and delays in the development of the mine ventilation system, the execution of the Mill 11 fine circuit redesign project to increase recovery yield, and the replacement of existing heavy fuel oil steam capacity with an electric boiler to reduce carbon emissions.

Outlook

Rio Tinto's 2024 guidance for IOC's saleable production tonnage (CFS plus pellets) is 16.7 million to 19.6 million tonnes, compared to 16.5 million tonnes of saleable production in 2023.

Despite ongoing lower pellet premiums, it is expected that IOC will continue to focus on maximizing pellet production in 2024.

The capital expenditures for 2024 at IOC are forecasted by IOC to be approximately US\$431 million. The 2024 forecast includes approximately US\$80 million of growth and development projects. Significant development capital expenditure projects include the redesign of Mill 11 Fine Circuit and the replacement of existing heavy fuel oil steam capacity with an electric boiler, which was previously scheduled for 2023 but delayed. Significant sustaining capital expenditure projects include the track replacement on QNS&L to ensure the safe and efficient operation of the increased rail traffic.

In September, IOC announced a major donation of \$4 million over two years to the Cégep de Sept-Îles in Quebec, Canada, for the construction of its new pavilion for training, research and innovation in the railway, industrial maintenance and energy in the region.

industries. The new partnership will strengthen Sept-Îles' position as a centre of excellence for specialised training in rare earths and provide local Indigenous communities with additional training and employment opportunities.

IOC's operator, Rio Tinto, continues to be committed to reaching net zero emissions by 2050 and is targeting a 15% reduction in Scope 1 & 2 emissions by 2025 and a 50% reduction by 2030 ⁽¹⁾ (from a 2018 equity baseline). Approximately 70% of IOC's current greenhouse gas ("GHG") emissions come from pelletizing. In 2023, IOC began its pilot project to test the use of four new technologies in the pellet plant, which could potentially replace the use of bunker 'C' fuel oil in the induration process. More immediately, IOC initiated a project (expected to be completed in the first half of 2025) to install an electric boiler to displace emissions from the heavy fuel oil boilers, as well as instrumentation and fuel-efficient burners to further reduce heavy fuel oil consumption in the induration process. Through the Low Carbon Economy Fund, the Government of Canada has awarded \$18.1 million (or 25% of the expected total cost of the project) to IOC to support the project, which is expected to eliminate approximately 2.2 million tonnes of GHG emissions, or a cumulative reduction of about 2.2 million tonnes of GHG emissions over the lifetime of the project.

Rio Tinto's approach to addressing Scope 3 emissions is to engage with its customers on climate change and work with them to develop the technologies to decarbonize. Steel production currently accounts for approximately 9% of GHG emissions. Strategic initiatives to reduce production GHG emissions include optimizing the use of traditional blast furnaces through the use of higher-grade iron ore pellets produced by IOC, and more importantly processing high-grade direct reduction iron ore pellets (such as those produced by IOC) as direct feed in electric arc furnaces. In regard to this second process, Rio Tinto has stated that it is studying the feasibility of a hydrogen-based hot briquetted iron plant at IOC. The proposed plant would have access to high-grade Direct Reduction iron ore pellets and renewable electricity, with the prospect of producing green hydrogen.

Despite ongoing concerns regarding the global economy and the property sector in China in particular, the outlook for steel remains quite robust. Currently, the World Steel Association is forecasting a 1.9% increase in global steel production in 2024. Thus far in 2024 (January and February), the average price of the 65% Fe index has been US\$142 per tonne, up from US\$132 per tonne in 2023. However, the demand for pellets has remained weaker and thus far in 2024 (January and February), the average pellet premium has averaged US\$40 per tonne compared to an annual average of US\$45 per tonne in 2023 and an average of US\$72 per tonne in 2022.

I would like to take this opportunity to thank our Shareholders for their interest and support and my fellow Directors for their support.

(1) Source: Rio Tinto Climate Change Report 2023.

Respectfully submitted on behalf of the Directors of the Corporation,

John F. Tuer
President and Chief Executive Officer
March 12, 2024

Corporate Structure

LIORC is a Canadian corporation formed to give effect to the conversion of the Labrador Iron Ore Royalty Income Fund into a corporation under a plan of arrangement completed on July 1, 2010. LIORC is also the successor by amalgamation of LIORC with Labrador Mining Company Limited, formerly a wholly-owned subsidiary of the Fund, that occurred pursuant to the plan of arrangement.

LIORC, directly and through its wholly-owned subsidiary Hollinger-Hanna, holds a 15.10% equity interest in IOC and receives an overriding royalty on all iron ore product produced, sold and shipped by IOC and a 10 cent per tonne commission on all iron ore product produced and sold by IOC. Generally, LIORC pays cash dividends from the free cash flow generated from IOC to the shareholders, as far as possible, subject to the maintenance of appropriate levels of working capital. Quarterly dividends are payable to all shareholders on the last business day of each calendar quarter and are paid on or after the 26th day of the following month.

Seven Directors are responsible for the governance of the Corporation and also serve as directors of Hollinger-Hanna. In addition to managing the affairs of the Corporation and Hollinger-Hanna, oversee the Corporation's interests in IOC. The Governance and Human Resources Committees are composed of four independent Directors.

Taxation

The Corporation is a taxable corporation. Dividend income received from IOC and Hollinger-Hanna is received tax free while royalty income is subject to income tax and Newfoundland and Labrador royalty tax. Expenses of the Corporation include administrative expenses. Hollinger-Hanna is a taxable corporation.

Income Taxes

Dividends to a shareholder that are paid within a particular year are to be included in the calculation of the shareholder's income for that year. All dividends paid in 2023 were "eligible dividends" under the Income Tax Act.

Review of Operations

Iron Ore Company of Canada

The income of the Corporation is entirely dependent on IOC as the only assets of the Corporation and its subsidiary are IOC and its operations. IOC is one of Canada's largest iron ore producers, operating a mine, concentrator and pellet plant in Labrador, Newfoundland and Labrador, and is among the top five producers of seaborne iron ore pellets in the world. It has been

processing iron ore concentrate and pellets since 1954. IOC is strategically situated to serve markets throughout the world through its year-round port facilities at Sept-Îles, Québec.

IOC has ore reserves sufficient for 21 years at current production rates with additional resources of a greater magnitude. IOC has the nominal capacity to extract around 55 million tonnes of crude ore annually. The crude ore is processed into iron ore concentrate, which is then either sold or converted into many different qualities of iron ore pellets to meet its customers' needs. The iron ore concentrate and pellets are transported to IOC's port facilities at Sept-Îles, Québec via its wholly-owned QNS&L, a 418 kilometer rail line connecting the mine and the port. From there, the products are shipped to markets throughout North America, Europe, the Middle East and the Asia-Pacific region.

IOC's 2023 sales tonnages totaled 16.3 million tonnes, comprised of 8.4 million tonnes of iron ore pellets and 7.9 million tonnes of iron ore concentrate. Saleable production in 2023 was 8.3 million tonnes of pellets and 8.2 million tonnes of CFS. IOC generated revenues (excluding third party ore sales) of \$2,830 million in 2023 (2022 - \$3,184 million).

Selected IOC Financial Information

	2023	2022	2021	2020	2019
(\$ in millions)					
Operating Revenues ⁽¹⁾	3,122	3,426	4,147	3,099	2,719
Cash Flow from Operating Activities	788	1,021	1,955	837	1,302
Net Income	568	1,028	1,551	842	749
Capital Expenditures ⁽²⁾	494	460	498	288	294

(1) 2023, 2022 and 2021 Ore sales revenue is presented on a net basis (net of related freight costs) to align with IFRS financial statements presentation.

(2) Reported on an incurred basis.

IOC Royalty

The Corporation holds certain leases and licenses covering approximately 18,200 hectares of land near Labrador City. The Corporation has subleased certain portions of these lands from which it currently mines iron ore. In return, IOC pays the Corporation a 7% royalty on all sales of iron ore products produced from these lands. A 20% tax on the royalty is payable to the Government of Newfoundland and Labrador. For the five years prior to 2023, the average royalty net of the 20% tax had been \$162.1 million.

in 2023 the net royalty was \$158.8 million (2022 - \$184.6 million).

Because the royalty is "off-the-top", it is not dependent on the profitability of IOC. However, it is affected by changes in iron ore prices and, because iron ore prices are denominated in US dollars, the United States - Canadian dollar exchange rate.

IOC Equity

In addition to the royalty interest, the Corporation directly and through its wholly owned subsidiary, Hollinger-Hanna, owns an equity interest in IOC. The other shareholders of IOC are Rio Tinto Limited with 58.72% and Mitsubishi Corporation with 41.28%.

IOC Commissions

Hollinger-Hanna has the right to receive a payment of 10 cents per tonne on the products produced and sold by IOC. Pursuant to the agreement, IOC is obligated to make the payment to Hollinger-Hanna so long as Hollinger-Hanna is in existence and solvent.

In 2023, Hollinger-Hanna received a total of \$1.6 million in commissions (2022 - \$1.6 million).

Quarterly Dividends

Dividends of \$2.55 per share were declared in 2023 (2022 - dividends of \$3.10 per share). These dividends were allocated to all shareholders of record on the last business day of each calendar quarter.

Period Ended	Record Date	Payment Date	Dividend per Share (\$ Million)	Total Dividend
Mar. 31, 2023	Mar. 31, 2023	Apr. 26, 2023	\$0.50	\$32.0
Jun. 30, 2023	Jun. 30, 2023	Jul. 26, 2023	0.65	41.6
Sep. 30, 2023	Sep. 29, 2023	Oct. 26, 2023	0.95	60.8
Dec. 31, 2023	Dec. 29, 2023	Jan. 26, 2024	0.45	28.8
Dividend to Shareholders - 2023			\$2.55	\$163.2
Mar. 31, 2022	Mar. 31, 2022	Apr. 26, 2022	\$0.50	\$32.0
Jun. 30, 2022	Jun. 30, 2022	Jul. 26, 2022	0.90	57.6
Sep. 30, 2022	Sep. 29, 2022	Oct. 26, 2022	1.00	64.0
Dec. 31, 2022	Dec. 30, 2022	Jan. 26, 2023	0.70	44.8
Dividend to Shareholders - 2022			\$3.10	\$198.4

The quarterly dividends are payable to all shareholders of record on the last business day of each calendar quarter and after the 26th day of the following month.

Management's Discussion and Analysis

The following is a discussion of the consolidated financial condition and results of operations of the Corporation for the December 31, 2023 and 2022. This discussion should be read in conjunction with the consolidated financial statements and notes thereto for the years ended December 31, 2023 and 2022 which are prepared in accordance with International Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all amounts are in Canadian dollars unless otherwise indicated.

Overview of the Business

The Corporation is a Canadian corporation resulting from the conversion of the Fund into a corporation under a plan of arrangement completed on July 1, 2010. LIORC is also the successor by amalgamation of a predecessor of LIORC with Labrador Minerals Limited, formerly a wholly-owned subsidiary of the Fund, that occurred pursuant to the plan of arrangement.

The Corporation is economically dependent on the operations of IOC. IOC's earnings and cash flows are affected by the price of iron ore products produced and sold, costs of production and the prices received. Iron ore demand and prices fluctuate and are affected by numerous factors which include demand for steel and steel products, the relative exchange rate of the US dollar, regional demand and production, political and economic conditions and production costs in major producing areas.

Financial Highlights

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	(in millions except per share information)			
Revenue	\$ 54.9	\$ 48.3	\$ 201.3	\$ 232.9
Equity earnings from IOC	\$ 26.2	\$ 19.7	\$ 84.7	\$ 154.1
Net income	\$ 51.4	\$ 44.6	\$ 186.3	\$ 265.4
Net income per share	\$ 0.80	\$ 0.70	\$ 2.91	\$ 4.15
Dividend from IOC	-	\$ 15.4	\$ 50.4	\$ 69.1
Cash flow from operations	\$ 26.4	\$ 60.5	\$ 152.5	\$ 184.2
Cash flow from operations per share ⁽¹⁾	\$ 0.41	\$ 0.95	\$ 2.38	\$ 2.88
Adjusted cash flow ⁽¹⁾	\$ 30.2	\$ 41.9	\$ 161.5	\$ 197.8
Adjusted cash flow per share ⁽¹⁾	\$ 0.47	\$ 0.65	\$ 2.52	\$ 3.09
Dividends declared per share	\$ 0.45	\$ 0.70	\$ 2.55	\$ 3.10

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The lower revenue, net income and equity earnings achieved in 2023 as compared to 2022 were mainly due to lower iron ore prices and lower pellet premiums, as well as a less advantageous product mix (lower volumes of pellet sales and higher volumes of CFS sales). Iron ore prices and pellet premiums were lower as a result of flat demand for steel and low margins causing steel producers to favour cheaper, low quality iron ore over high quality iron ore products. Total sales tonnage (pellets and CFS) at IOC were 1% lower in 2023 than 2022, predominantly due to operational issues (thickener, overland conveyor, rebuild of induration machine #3, and forest fires, as referenced above) leading to inventory availability issues.

Fourth quarter 2023 sales tonnage (pellets and CFS) was higher year-over-year by 9% due to higher saleable production and improved inventory availability. Royalty revenue was \$54.1 million for the quarter as compared to \$47.6 million for the same period in 2022. Fourth quarter 2023 cash flow from operations was \$26.4 million or \$0.41 per share compared to fourth quarter 2022 cash flow from operations of \$60.5 million or \$0.95 per share. LIORC received no IOC dividend in the fourth quarter of 2023 (2022 - \$15.4 million or \$0.24 per share). Equity earnings from IOC amounted to \$26.2 million or \$0.41 per share in the fourth quarter of 2023 compared to \$19.7 million or \$0.31 per share for the same period in 2022.

Operating Highlights

IOC Operations	2023	2022	2023	2022
	(in millions of tonnes)			
Sales ⁽¹⁾				
Pellets	2.29	1.94	8.37	9.17
Concentrate for sale ("CFS") ⁽²⁾	2.04	2.02	7.92	7.21
Total ⁽³⁾	4.33	3.96	16.29	16.38
Production				
Concentrate produced	5.01	4.76	17.73	19.09
Saleable production				
Pellets	2.39	2.29	8.31	9.61
CFS	2.21	2.02	8.17	7.95
Total ⁽³⁾	4.60	4.31	16.48	17.56
Average index prices per tonne (US\$)				
65% Fe index ⁽⁴⁾	\$ 139	\$ 111	\$ 132	\$ 139
62% Fe index ⁽⁵⁾	\$ 128	\$ 99	\$ 120	\$ 120
Pellet premium ⁽⁶⁾	\$ 37	\$ 61	\$ 45	\$ 72

⁽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's total concentrate production in 2023 of 17.7 million tonnes, was 7% lower than 2022. While concentrate production was 5% higher in the fourth quarter of 2023 compared to the fourth quarter of 2022, this was not enough to offset the lower concentrate production in the third quarter due to unexpected equipment failures with the thickener rake drive and the overland delivery system conveyor belt and the lower concentrate production in the second quarter due to the impact of the forest fires. IOC's total saleable production (CFS plus pellets) of 16.5 million tonnes in 2023 was 6% lower than 2022, due to extended plant downtime in the second and third quarters as a result of the equipment failures and forest fires referred to above. In 2023, CFS production of 8.2 million tonnes was 3% higher than 2022, mainly due to less concentrate being diverted to make pellets. Pellet production in 2023 of 8.3 million tonnes was 14% lower than 2022, partly as a result of lack of feed, as well as an increase in the duration of the induration machine 3 rebuild.

IOC sells CFS based on the 65% Fe index. In 2023, the average price for the 65% Fe index was US\$132 per tonne, a decrease of 5% year over year, mainly due to an increase in iron ore supply not being met by an increase in global steel production. In addition to the reduction in iron ore prices, pellet premiums dropped as steel producers, faced with tightening profit margins, substituted high quality pellets with cheaper, lower

quality iron feed. The monthly pellet premium averaged US\$45 per tonne in 2023, a decrease of 38% from 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\$130 per tonne in 2023, a decrease of 15% year over year. The decrease in the average realized price FOB Sept-Îles in 2023 was a result of lower CFS and pellet prices.

Capital expenditures for IOC were US\$362 million in 2023, or 2% lower than 2022. Capital expenditures in 2023 were 11% lower than the US\$407 million that IOC had originally forecasted, mainly due to the decision by IOC to defer certain capital projects, including the rebuild of shovel 101 at the mine, and culvert replacements along the QNS&L line, and delays in the development of the mine wireless network, the execution of the Mill 11 fine circuit redesign project to increase recovery yield, and the replacement of existing heavy fuel oil steam capacity with an electric boiler to reduce carbon emissions.

Liquidity and Capital Resources

The Corporation had \$13.2 million (2022 - \$39.9 million) in cash as at December 31, 2023 with total current assets of \$67.5 million (2022 - \$83.0 million). The Corporation had working capital of \$27.2 million (2022 - \$29.0 million). The Corporation's operating cash flow was \$152.5 million (2022 - \$184.2 million) and dividends paid during the year were \$179.2 million, resulting in cash balances decreasing by \$26.7 million during 2023.

Cash balances consist of deposits in Canadian dollars and US dollars with a Canadian chartered bank. Accounts 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, 2026 with provision for annual one-year extensions. No amount is currently drawn under this facility (2022-nil) leaving \$30 million available to provide for any capital required by IOC or requirements of the Corporation.

Selected Consolidated Financial Information

The following table sets out financial data from a Shareholder's perspective for the three years ended December 31, 2023, 2022 and 2021.

Description	Years Ended December 31		
	2023	2022	2021
	(in millions except per share information)		
Revenue	\$201.3	\$232.9	\$279.7
Net Income	\$186.3	\$265.4	\$379.8
Net Income per Share	\$2.91	\$4.15	\$5.93
Cash Flow from Operations	\$152.5 ⁽¹⁾	\$184.2 ⁽²⁾	\$402.4 ⁽³⁾
Cash Flow from Operations per Share	\$2.38 ⁽¹⁾	\$2.88 ⁽²⁾	\$6.29 ⁽³⁾
Total Assets	\$837.0	\$825.8	\$789.3
Dividends Declared per Share	\$2.55	\$3.10	\$6.00
Number of Common Shares outstanding	64.0	64.0	64.0

(1) Includes IOC dividends totaling \$50.4 million or \$0.79 per Share.

(2) Includes IOC dividends totaling \$69.1 million or \$1.08 per Share.

(3) Includes IOC dividends totaling \$227.8 million or \$3.56 per Share.

The following table sets out quarterly revenue, net income, cash flow and dividend data for 2023 and 2022. Due to seasonal weather patterns the first and fourth quarters generally have lower production and sales. Royalty revenues and equity earnings in IOC track iron ore spot prices, which can be very volatile. Dividends, included in cash flow, are declared and paid by IOC irregularly according to the availability of cash.

	Revenue	Net	Net	Cash Flow	Cash Flow	Adjusted	Dividends
		Income	Income	from	from	Cash	Declared
		per Share	per Share	Operations	Operations	Flow per Share	per Share
					per Share	Share ⁽¹⁾	

(in millions except per share information)

2023

First Quarter	\$47.2	\$43.6	\$0.68	\$19.5	\$0.30	\$0.41	\$0.50
Second Quarter	\$51.5	\$41.9	\$0.65	\$40.9 ⁽²⁾	\$0.64 ⁽²⁾	\$0.75 ⁽²⁾	\$0.65
Third Quarter	\$47.7	\$49.4	\$0.77	\$65.7 ⁽³⁾	\$1.03 ⁽³⁾	\$0.89 ⁽³⁾	\$0.95
Fourth Quarter	\$54.9	\$51.4	\$0.80	\$26.4	\$0.41	\$0.47	\$0.45

2022

First Quarter	\$54.2	\$63.2	\$0.99	\$4.1	\$0.06	\$0.47	\$0.50
Second Quarter	\$66.3	\$78.4	\$1.22	\$41.1 ⁽⁴⁾	\$0.64 ⁽⁴⁾	\$0.88 ⁽⁴⁾	\$0.90
Third Quarter	\$64.1	\$79.2	\$1.24	\$78.5 ⁽⁵⁾	\$1.23 ⁽⁵⁾	\$1.09 ⁽⁵⁾	\$1.00
Fourth Quarter	\$48.3	\$44.6	\$0.70	\$60.5 ⁽⁶⁾	\$0.95 ⁽⁶⁾	\$0.65 ⁽⁶⁾	\$0.70

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

(2) Includes \$19.9 million IOC dividend.

(3) Includes \$30.5 million IOC dividend.

(4) Includes \$19.6 million IOC dividend.

(5) Includes \$34.2 million IOC dividend.

(6) Includes \$15.4 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 \$2.38 for 2023 (2022 - \$2.88).

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 distributions to Shareholders.

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

	2023	2022
	(in million except for per share inform	
Cash flow from operating activities	\$152.5	\$184.2
Changes in amounts receivable, accounts payable and income taxes recoverable	9.0	13.6
Adjusted cash flow	\$161.5	\$197.8
Adjusted cash flow per share	\$2.52	\$3.09

Disclosure Controls and Internal Control over Financial Reporting

The President and CEO and the CFO are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Corporation. Two directors serve as directors of IOC and IOC provides monthly reports on its operations to them. The Corporation also relies on financial information provided by IOC, including its audited financial statements, and other material information provided to the President and CEO and the CFO by officers of IOC. IOC is a private corporation, and its financial statements are not publicly available.

The Directors are informed of all material information relating to the Corporation and its subsidiary by the officers of the Corporation on a timely basis and approve all core disclosure documents including the Management Information Circular, the annual and interim financial statements and related Management's Discussion and Analyses, the Annual Information Form, any prospectuses and all press releases related to the disclosure of quarterly and annual financial statements and the declaration of dividends. An evaluation of the design and operating effectiveness of the Corporation's disclosure controls and procedures was conducted under the supervision of the President and CEO and CFO. Based on their evaluation, they concluded that the Corporation's disclosure controls and procedures were effective in ensuring that all material information relating to the Corporation was accumulated and communicated for the year ended December 31, 2023.

The President and CEO and the CFO have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. An evaluation of the design and operating effectiveness of the Corporation's internal control over financial reporting was conducted under the supervision of the President and CEO and CFO. Based on their evaluation, they concluded that the Corporation's internal control over financial reporting was effective and that there were no material weaknesses therein for the year ended December 31, 2023.

The preparation of financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Corporation's reported financial results. Estimates are deemed critical when the Corporation's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods.

No material change in the Corporation's internal control over financial reporting occurred during the year ended December 31, 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 12, 2024 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[1]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.

[Labrador Iron Ore Royalty Corp.](#)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at	
	December 31,	
(in thousands of Canadian dollars)	2023	2022
	(Audited)	
Assets		
Current Assets		
Cash	\$ 13,192	\$ 39,904
Amounts receivable	53,872	42,758
Income taxes recoverable	465	357
Total Current Assets	67,529	83,019
Non-Current Assets		
Iron Ore Company of Canada ("IOC")		
royalty and commission interests	222,901	228,918
Investment in IOC	546,614	513,828
Total Non-Current Assets	769,515	742,746
Total Assets	\$ 837,044	\$ 825,765

Liabilities and Shareholders' Equity

Current Liabilities

Accounts payable and accrued liabilities	\$ 11,542	\$ 9,286
Dividend payable	28,800	44,800
Total Current Liabilities	40,342	54,086

Non-Current Liabilities

Deferred income taxes	137,370	134,220
Total Liabilities	177,712	188,306

Shareholders' Equity

Share capital	317,708	317,708
Retained earnings	347,927	324,821
Accumulated other comprehensive loss	(6,303)	(5,070)
	659,332	637,459
Total Liabilities and Shareholders' Equity	\$ 837,044	\$ 825,765

Approved by the Directors,

[Labrador Iron Ore Royalty Corp.](#)

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Director

Director

For the Year Ended

December 31,

(in thousands of Canadian dollars except for per share information) 2023 2022

(Audited)

Revenue

IOC royalties	\$ 198,562	\$ 230,709
IOC commissions	1,604	1,613
Interest and other income	1,131	539
	201,297	232,861

Expenses

Newfoundland royalty taxes	39,712	46,142
Amortization of royalty and commission interests	6,017	6,423
Administrative expenses	3,054	3,093
	48,783	55,658
Income before equity earnings and income taxes	152,514	177,203
Equity earnings in IOC	84,684	154,103
Income before income taxes	237,198	331,306
Provision for income taxes		
Current	47,524	54,998
Deferred	3,368	10,859
	50,892	65,857
Net income for the year	186,306	265,449
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 - \$218; 2022 - \$1,121)	(1,233)	6,350
Comprehensive income for the year	\$ 185,073	\$ 271,799
Basic and diluted income per share	\$ 2.91	\$ 4.15

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended	
	December 31,	
(in thousands of Canadian dollars)	2023	2022
	(Audited)	
Net inflow (outflow) of cash related		
to the following activities		
Operating		
Net income for the period	\$ 186,306	\$ 265,449
Items not affecting cash:		
Equity earnings in IOC	(84,684)	(154,103)
Current income taxes	47,524	54,998
Deferred income taxes	3,368	10,859
Amortization of royalty and commission interests	6,017	6,423
Common share dividends from IOC	50,447	69,122
Change in amounts receivable	(11,114)	6,923
Change in accounts payable	2,256	(1,500)
Income taxes paid	(47,632)	(73,980)
Cash flow from operating activities	152,488	184,191
Financing		
Dividends paid to shareholders	(179,200)	(227,200)
Cash flow used in financing activities	(179,200)	(227,200)
Decrease in cash, during the year	(26,712)	(43,009)
Cash, beginning of year	39,904	82,913
Cash, end of year		

\$ 13,192

\$ 39,904

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

				Accumula
				other
	Common	Share	Retained	comprehe
(in thousands of Canadian dollars except share amounts)	shares	capital	earnings	loss
	(Audited)			
Balance as at December 31, 2021	64,000,000	\$ 317,708	\$ 257,772	\$ (11,420)
Net income for the period	-	-	265,449	-
Dividends declared to shareholders	-	-	(198,400)	-
Share of other comprehensive income from investment in IOC (net of taxes)	-	-	-	6,350
Balance as at December 31, 2022	64,000,000	\$ 317,708	\$ 324,821	\$ (5,070)
Balance as at December 31, 2022	64,000,000	\$ 317,708	\$ 324,821	\$ (5,070)
Net income for the period	-	-	186,306	-
Dividends declared to shareholders	-	-	(163,200)	-
Share of other comprehensive loss from investment in IOC (net of taxes)	-	-	-	(1,233)
Balance as at December 31, 2023	64,000,000	\$ 317,708	\$ 347,927	\$ (6,303)

The complete consolidated financial statements for the year ended December 31, 2023, including the notes thereto, are posted on <http://www.sedarplus.ca> and labradorironore.com.

SOURCE [Labrador Iron Ore Royalty Corp.](#)

Contact

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