Discussion Materials – LIORC Asset Segregation Analysis

March 2019

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- This document was prepared using materials available to Altius in an attempt to present a possible restructuring of Labrador Iron Ore Royalty Corp. (LIORC). We have developed our own internal model, using third party and LIORC data and footnoting where applicable in the presentation. The assumptions made in our model on long term pricing, possible trading multiples, premiums and discount rate, among other inputs are based on data that has been footnoted, but does not claim to represent the views of LIORC, sell side analysts or other sources except where quoted. Investors should not rely on this material, and should do their own due diligence.
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Summary

On January 25 Altius presented a thesis to the LIORC board that a segregation of its IOCC related royalty and equity interests into separately traded components could create / unlock value and provide other benefits to shareholders (direct excerpt included as Appendix 2).

In subsequent discussions, LIORC indicated that while the idea of breaking from its current mixed asset class model had been rejected or deferred by its board when advocated for by Altius and others at various times in the past, it would be discussed again at an upcoming board meeting on March 7.

Altius was invited to provide further details of its thesis - relating to valuation methodology and results, structuring and taxation - that LIORC could consider in addition to its own analysis.

The thesis is based upon an observation that LIORC, which currently derives roughly equal parts of its distributable free cash flow from its IOCC royalty and equity interests respectively, is currently valued in its entirety as if all income were equity-operating based.

The value creation/unlocking opportunity proposed through segregation of these contrasting asset types mainly recognizes that equity-operating type income trades at significantly lower valuation multiples than royalty-derived income in the mining sector, and that royalty and equity asset class separation in the mining industry has evolved considerably in the 24 years since LIORC's predecessor income trust entity was established.

Segregation would therefore allow a much greater total pool of investors, with a variety risk-reward tolerances, to each own the asset class best suited to their mandate and objectives and, in particular, would allow:

- LIORC's royalty asset to re-rate in line with higher valuations typical of that business model when offered on a pure basis;
- while also allowing those seeking greater leverage through operating margin level exposure to achieve this through a pure equity-operating interest.

Altius, speaking as one shareholder, is strongly in favour of segregation of the two types of assets currently held by LIORC and believes that a positive "sum of the parts" re-rating and other shareholder benefits will occur as a result, and that nothing is lost in the alternative.

An additional reason for Altius seeking an internal re-structuring, beyond simply causing a positive valuation re-rate (note that it is not seeking a short term opportunity to sell and in fact we view our investment as a royalty flow-through based, long-term ownership interest), is because we believe that the current structurally driven undervaluation makes LIORC's world-class royalty interest increasingly vulnerable.

The LIORC board should therefore consider as part of its current review that any potential future acquirer of a majority interest in IOCC (or its potential future public spin-out vehicle) will recognize that LIORC's "top-line" royalty based cash flow trades at the same valuation multiple as its operating margin derived cash flow, despite its much lower risk profile – therefore making an acquisition of LIORC by such an entity both accretive to the acquirer's equity and highly positive in terms of asset level cost reduction/margin growth. Such an event would result in the permanent extinguishment of the LIORC royalty interest and we believe that a pro-active restructuring, rather than a wait and see approach, to potential future moves by other larger IOCC shareholders to divest their interest, is highly prudent.

The following pages compare the current corporate valuation of LIORC against a significantly higher "sum of the parts" market valuation that could result from segregation and also outlines two potential structures that could be used to achieve it on a tax efficient basis.

Altius Model Inputs

and

Current LIORC (Mixed Asset Classes Basis) Valuation

Altius's LIORC Model Inputs Summary

Spot Iron Ore Pricing		Flat
62% Fe CFR China	Pre- Vale Incident	$76
	Post- Vale Incident (Current Spot)	$87
65% Fe Pellet Index	Pre- Vale Incident	$134
	Post- Vale Incident (Current Spot)	$139
Implied Grade Premium ($/t/1% Fe)	Pre- Vale Incident	$4.09
	Post- Vale Incident (Current Spot)	$3.08

Consensus Iron Ore Pricing		2019	2020	2021	LT
62% Fe CFR China	Pre- Vale Incident	$63	$63	$64	$64
	Post- Vale Incident (Current Consensus)	$69	$64	$64	$64
65% Fe Pellet Index	Pre- Vale Incident	$125	$111	$122	$122
	Post- Vale Incident (Current Consensus)	$135	$122	$127	$127
Grade Premium Assumption ($/t/1% Fe)		$3.00	$3.00	$3.00	$3.00

Exchange Rate	2019	2020	2021	2022	LT
USDCAD – Street Consensus	0.77	0.76	0.77	0.78	0.80

Freight Rate	
China	US$23.00/t Flat
Europe	US$9.50/t Flat
North America	US$6.00/t Flat

	Mine Discount Rate	Royalty Discount Rate
Discount Rate	8.0%	7.0%

Volume (mmt)	2019	2020	2021	2022	2023
Conc. Feed	20.8	21.3	21.7	21.7	21.7
BF Pellets	5.9	5.9	5.9	5.9	5.9
DR Pellets	3.9	3.9	3.9	3.9	3.9

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Source: Bloomberg.
Note: Market data as of March 1, 2019. Implied grade premium calculated as 65% Fe CFR China Index less 62%Fe CFR China Index, divided by 3

LIORC Corporate Market Valuation (Altius Model)

EV/EBITDA Basis

Iron Ore Pricing	Analyst Consensus Price Deck			Spot (Flat-Run) Price Deck		
	Pre- Vale Incident (Jan 24)	Post- Vale Incident (March 1)	Δ	Pre- Vale Incident (Jan 24)	Post- Vale Incident (March 1)	Δ
15.1% Equity 2019 EBITDA	C$130M	C$162M	25%	$173	$202	21%
7% Royalty 2019 EBITDA	C$117M	C$130M	11%	$134	$146	9%
Total 2019 LIORC EBITDA	C$247M	C$292M	18%	$308	$348	13%
Enterprise Value (EV)	C$1,432M	C$1,961M	36%	$1,432	$1,961	36%
EV/EBITDA Multiple	**5.79x**	**6.72x**		**4.65x**	**5.64x**	

Net Asset Value Basis

Iron Ore Pricing		Analyst Consensus Price Deck			Spot (Flat-Run) Price Deck		
	Discount Rate	Pre- Vale Incident (Jan 24)	Post- Vale Incident (March 1)	Δ	Pre- Vale Incident (Jan 24)	Post- Vale Incident (March 1)	Δ
IOC - 15.1% Equity Interest	8%	C$1,009M	C$1,057M	5%	C$1,351M	C$1,607M	19%
IOC - 7% Royalty	7%	C$1,232M	C$1,253M	2%	C$1,390M	C$1,508M	8.5%
Total		C$2,241M	C$2,310M	3%	C$2,740M	C$3,115M	14%
Market Cap		C$1,519	C$2,100	38%	C$1,519	C$2,100	38%
P/NAV Multiple		**0.68x**	**0.91x**		**0.55x**	**0.67x**	

- LIORC's corporate level valuation has improved in the aftermath of a significant iron ore supply side shock that is the result of Brazilian tailings dam disaster
- This improvement is in-line with valuation increases for most other iron ore equities rather than reflective of any LIORC specific change in valuation sentiment
- Pre- and post- valuations have been provided here accordingly
- The longer term impact of this event on supply – demand dynamics in the iron ore market, and on investor sentiment towards related equities, remains uncertain
- The structural relative undervaluation thesis presented in this analysis should therefore not be presumed to have now been "solved" as a result of this recent shift

IOCC Segregated Equity Valuation Potential

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IOCC Segregated Equity Valuation (EV/EBITDA Basis)

- Iron Ore Company of Canada (100% basis) is modelled to generate C$1,106mm and C$1,384mm of 2019 EBITDA, using current consensus and flat-run spot prices, respectively.
- IOCC's pure iron ore producer comparable peer group set was chosen on the basis of revenue scale, the production of premium products (pellets, lump and high iron content fines / concentrates) and asset and customer locations.
- At the peer average multiple of 5.3x 2019 EBITDA and 6.5x 2020 EBITDA, IOCC would feature an enterprise value of C$5,676M and $5,811M on a current consensus price basis.
- At the peer average multiple of 5.3 x 2019 EBITDA and 6.5x 2020 EBITDA, IOCC would feature an enterprise value of C$7,092M and $9,032M on a flat-run spot prices basis.
- Given its highest operating margin, product mix operational flexibility (concentrate vs BF pellet vs DR pellet), large resource base and available transportation infrastructure based optionality a strong argument can be made for higher than peer average multiples being warranted for IOCC.

Issuer	Ticker	Enterprise Value	EBITDA		EBITDA Margin		EV/EBITDA	
			2019	2020	2019	2020	2019	2020
Cleveland - Cliffs	CLF-USA	C$5,889M	C$963M	C$852M	32%	28%	6.1x	6.9x
Ferrexpo	FXPO-LON	C$3,204M	C$620M	C$516M	36%	32%	5.2x	6.2x
Kumba	KIO-ZA	C$10,896M	C$2,321M	C$1,686M	48%	38%	4.7x	6.5x
Mean							**5.3x**	**6.5x**
Median							5.2x	6.5x

LIORC's 15.1% Equity Interest

Approach to Value	Altius Model - Consensus Iron Ore Pricing: Multiple Range	Metric	Value (C$mm)	Altius Model - Spot Pricing: Multiple Range	Metric	Value (C$mm)
EV / EBITDA (2019 E)	5.3-6.5x	C$162 mm	$858-$1052	5.3-6.5x	C$202 mm	$1071-$1313
EV / EBITDA (2020 E)	5.3-6.5x	C$135 mm	$716-$878	5.3-6.5x	C$210 mm	$1112-$1364

Implied valuation range for LIORC's 15.1% share of IOCC is between **$13.41 and $13.71 per share,** using average multiples and consensus prices

Implied valuation range for LIORC's 15.1% share of IOCC is between **$16.73 and $21.31 per share,** using average multiples and flat-run spot prices

Source: FactSet and Company Reports. Market data as of March 1, 2019.

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Segregated LIORC Royalty Valuation Potential

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Segregated LIORC Royalty Valuation (EV/EBITDA Basis)

- **Using current consensus and spot prices respectively, the royalty is modelled to generate C$132mm and C$146 mm of 2019 EBITDA**
- The comparable peer group was chosen to be the mid-tier Canadian listed mining royalty companies which display wide a 2019 EV/EBITDA multiple range of between 11.9x and 22.1x with an average of 16.8x.
- The LIORC royalty features an underlying remaining potential mine life at 61 years using current production rates, which is ultimately an indicator of strong option type future growth potential. Its only comparable in this regard is Altius with a weighted average underlying remaining mine life of 85 years. Both also have a non-precious metals focus and derive the majority of royalties from Canadian mines. Altius is therefore suggested to provide the most direct and appropriate valuation multiple comparative to the LIORC royalty.
- At the Altius multiples of 11.9x 2019 and 11.8x 2020 EBITDA, the LIORC royalty would feature an enterprise value range of C$1,547M-C$1,416 (consensus prices basis)
- At the Altius multiples of 11.9x 2019 and 11.8x 2020 EBITDA, the LIORC royalty would feature a standalone enterprise value of $1,737M-1,770M (flat-run spot basis)

Issuer	Market Cap	Enterprise Value	EBITDA		P / NAV	EV/EBITDA	
			2019	2020		2019	2020
Osisko Gold Royalties Ltd	C$2,278M	C$2,446M	C$139M	C$178M	1.35x	22.1x	18.6x
Sandstorm Gold Ltd.	C$1,328M	C$1,301M	C$82M	C$82M	1.21x	16.4x	15.8x
Altius Minerals Corporation	C$546M	C$687M	C$58M	C$56M	1.17x	11.9x	11.8x
Average					**1.24x**	**16.8x**	**15.5x**

LIORC's Royalty Interest

	Altius Model - Consensus Iron Ore Pricing			Altius Model - Spot Pricing		
Approach to Value	Multiple Range	Metric	Value (C$mm)	Multiple Range	Metric	Value (C$mm)
EV / EBITDA (2019 E)	11.9-16.8x	C$130 mm	$1547-$2184	11.9-16.8x	C$146 mm	$1737-$2453
EV / EBITDA (2020 E)	11.8-15.5x	C$120 mm	$1416-$1860	11.8-15.5x	C$150 mm	$1764-$2318

- Implied valuation range for LIORC's royalty is between $22.34 and $32.50 per share using a 11-16x 2019 EV/EBITDA multiple range at consensus prices.
  - Implied valuation range for LIORC's royalty is between $25.09 and $36.50 per share using a 11-16x multiple range using flat-run spot prices

Source: FactSet and Company Reports. Market data as of March 1, 2019.

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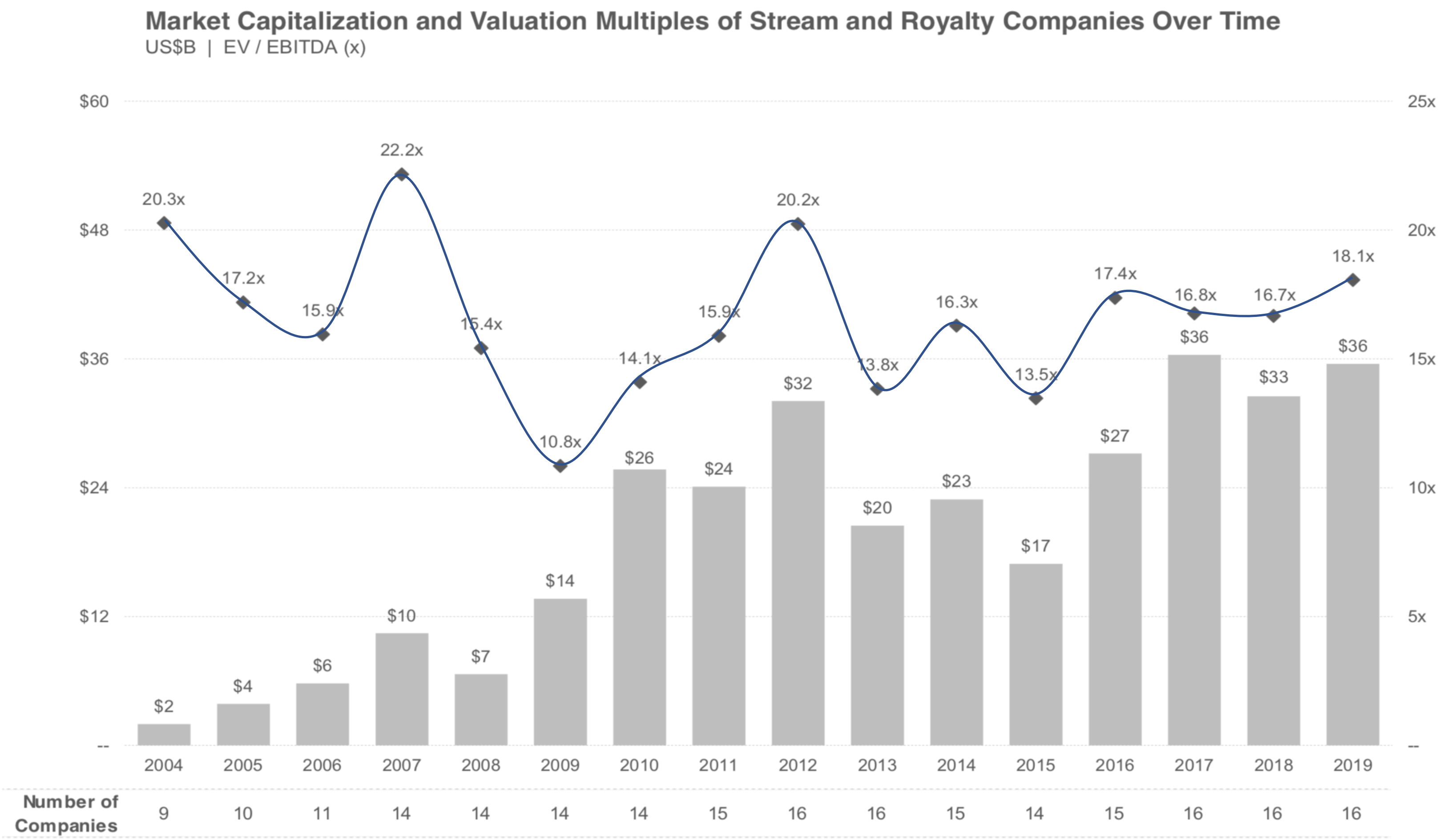
Segregated LIORC Royalty Valuation (EV/EBITDA Basis)



Source: Scotiabank Monthly Royalty and Streaming Report

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Segregated LIORC Royalty Valuation (NAV Basis)

- **Using current consensus and spot prices respectively, the LIORC royalty Net Asset Value (100% basis) is modelled at C$1,253mm and C$1,508mm respectively**
- The chosen mining royalty peer group P/NAV multiple currently ranges between 1.17x and 1.35 with an average of 1.24.
- Consensus P/NAV multiple for Altius is currently estimated at 1.17x
- For the purpose of this analysis we have use a range from a consensus Altius multiple to the peer average.

Issuer	Market Cap	Enterprise Value	EBITDA 2019	EBITDA 2020	P / NAV	EV/EBITDA 2019	EV/EBITDA 2020
Osisko Gold Royalties Ltd	C$2,278M	C$2,446M	C$139M	C$178M	1.35x	22.1x	18.6x
Sandstorm Gold Ltd.	C$1,328M	C$1,301M	C$82M	C$82M	1.21x	16.4x	15.8x
Altius Minerals Corporation	C$546M	C$687M	C$58M	C$56M	1.17x	11.9x	11.8x
Average					**1.24x**	**16.8x**	**15.5x**

Implied valuation range for LIORC's royalty is between $22.91 and $24.28 using a NAV multiple range from 1.17x to 1.24x at consensus prices.

LIORC's Royalty Interest

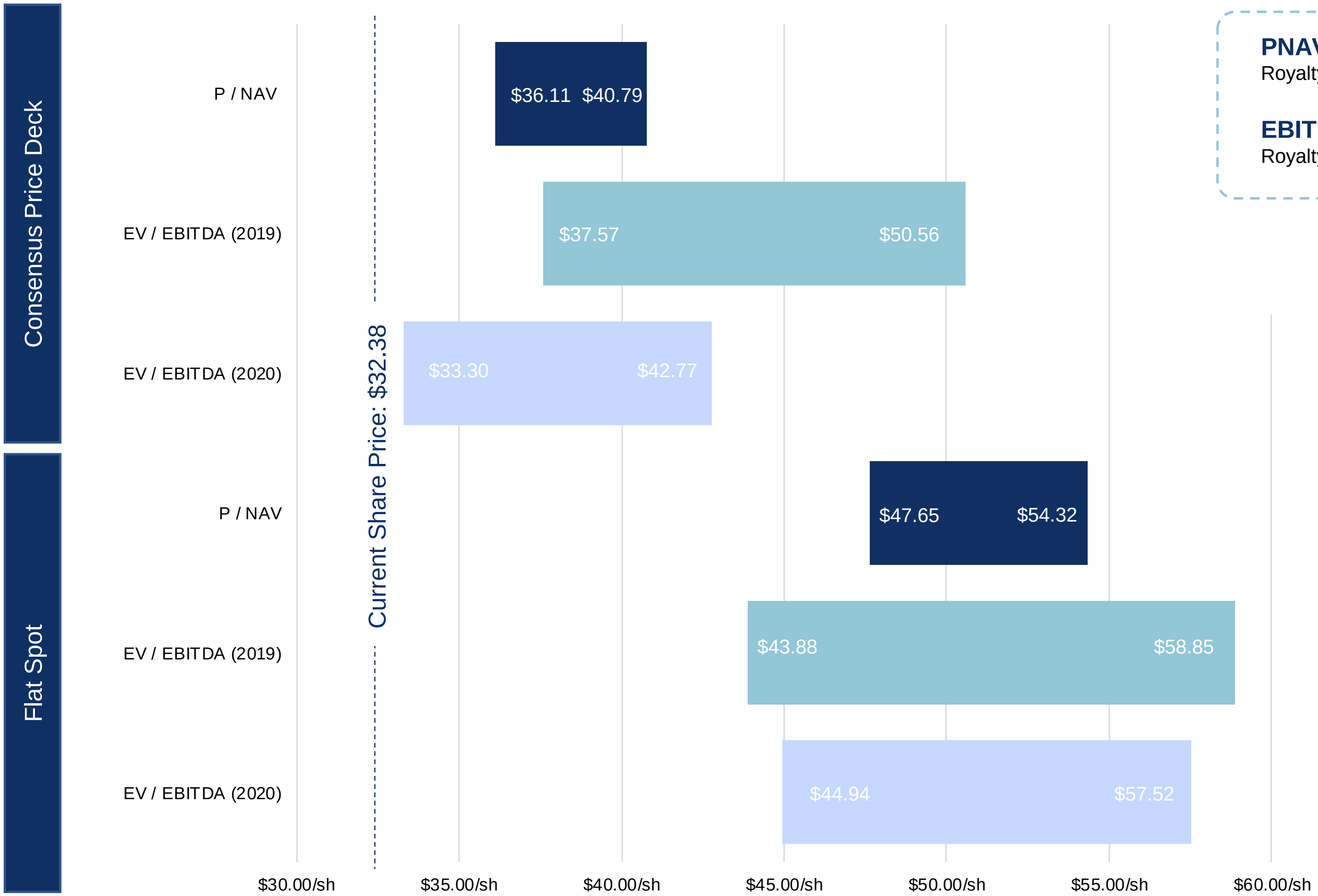
Approach to Value	Altius Model - Consensus Iron Ore Pricing: Multiple Range	Metric	Value (C$mm)	Altius Model - Spot Pricing: Multiple Range	Metric	Value (C$mm)
P / NAV	1.17-1.24x	C$1,253 mm	$1466-$1554	1.17-1.24x	C$1,508 mm	$1764-$1869

- Implied valuation range for LIORC's royalty is between $22.91 and $24.28 using a NAV multiple range from 1.17x to 1.24x at consensus prices.
- Implied valuation range for LIORC's royalty is between $27.57 and $29.22 using a NAV multiple range from 1.17x to 1.24x at flat-run spot prices

Source: FactSet and Company Reports. Market data as of March 1, 2019.

“Sum of Segregated Parts” LIORC Valuation Potential

Sum of Parts Valuation Potential



PNAV Multiple Range
Royalty: 1.17x - 1.24x, Equity: 0.8x - 1.0x

EBITDA Multiple Range
Royalty: 11.9x – 16.8x, Equity: 5.3x -6.5x

Sum of Parts Value Build-up

LIORC's Royalty Interest

	Altius Model - Consensus Iron Ore Pricing			Altius Model - Spot Pricing		
Approach to Value	Multiple Range	Metric	Value (C$mm)	Multiple Range	Metric	Value (C$mm)
P / NAV	1.17-1.24x	C$1,253 mm	$1466-$1554	1.17-1.24x	C$1,508 mm	$1764-$1869
EV / EBITDA (2019 E)	11.9-16.8x	C$130 mm	$1547-$2184	11.9-16.8x	C$146 mm	$1737-$2453
EV / EBITDA (2020 E)	11.8-15.5x	C$120 mm	$1416-$1860	11.8-15.5x	C$150 mm	$1764-$2318
		Selected Range:	$1416-$2184		Selected Range:	$1737-$2453
		Implied Equity Value (C$/sh):	**$22.25-$34.00**		**Implied Equity Value (C$/sh):**	**$27.00-$38.00**

LIORC's 15.1% Equity Interest

	Altius Model - Consensus Iron Ore Pricing			Altius Model - Spot Pricing		
Approach to Value	Multiple Range	Metric	Value (C$mm)	Multiple Range	Metric	Value (C$mm)
P / NAV	0.8-1x	C$1,057 mm	$845-$1057	0.8-1x	C$1,607 mm	$1286-$1607
EV / EBITDA (2019 E)	5.3-6.5x	C$162 mm	$858-$1052	5.3-6.5x	C$202 mm	$1071-$1313
EV / EBITDA (2020 E)	5.3-6.5x	C$135 mm	$716-$878	5.3-6.5x	C$210 mm	$1112-$1364
		Selected Range:	$716 -1057		Selected Range:	$1071-$1607
		Implied Equity Value (C$/sh):	**$11.25-16.50**		**Implied Equity Value (C$/sh):**	**$16.75-$25.00**

Cash		
CAD $/Sh	$0.98	$0.98
Implied Share Price	**$34.50 - $51.50**	**$44.75 - $64.00**
Current Share Price	$32.82	$32.82
Implied Return	**5% - 57%**	**36% - 98%**

This implies a valuation range for LIORC's royalty and equity component at between $34.50 and $50.00 per share using the consensus price deck and between $44.50 and $63.00 using spot iron pricing.

Source: Share price as of March 1, 2019. Implied value rounded to nearest $0.25

Appendix 1: Structure and Taxation

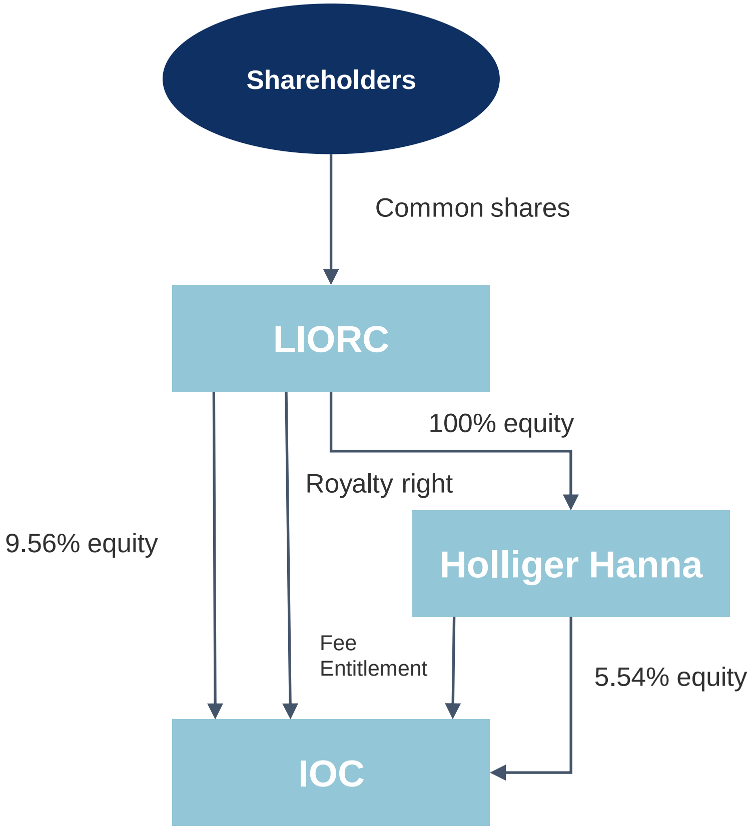
Review of LIORC Structure

- Altius engaged external tax advisers to provide a preliminary, high-level overview of structuring alternatives to LIORC that would enable it to segregate the equity and royalty value.
- The information and analysis delivered was based on publicly available information and is subject to further research and analysis.
- Additional details and legal /commercial considerations may affect the viability of certain alternatives.
- A split based on paid up capital was deemed not practical given the relative weighting of the equity ownership vs. royalty and the historical adjusted cost base.
- In general, the expectation is that these transactions could be completed on a tax deferred basis. However, non Canadian resident shareholders may have differing tax consequences that would require deeper analysis to determine.

Current Structure

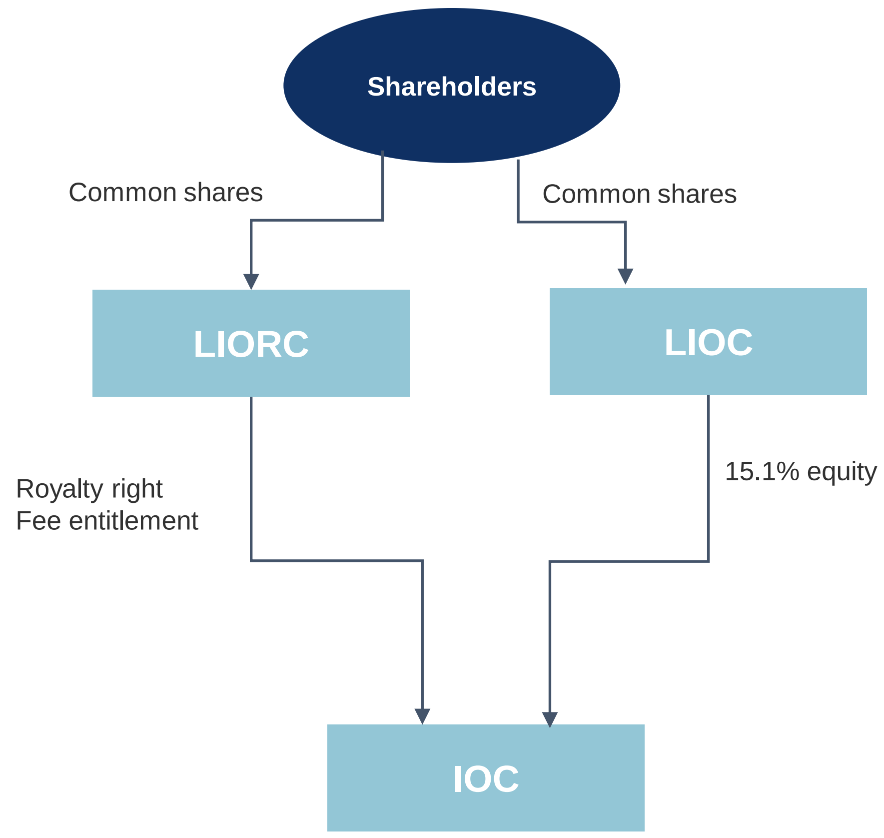
- LIROC owns directly and indirectly the following three main assets:

  1. 15.1% interest in IOC;
  2. Entitlement for fees on all iron ore products sold and shipped by IOC; and
  3. 7% royalty right



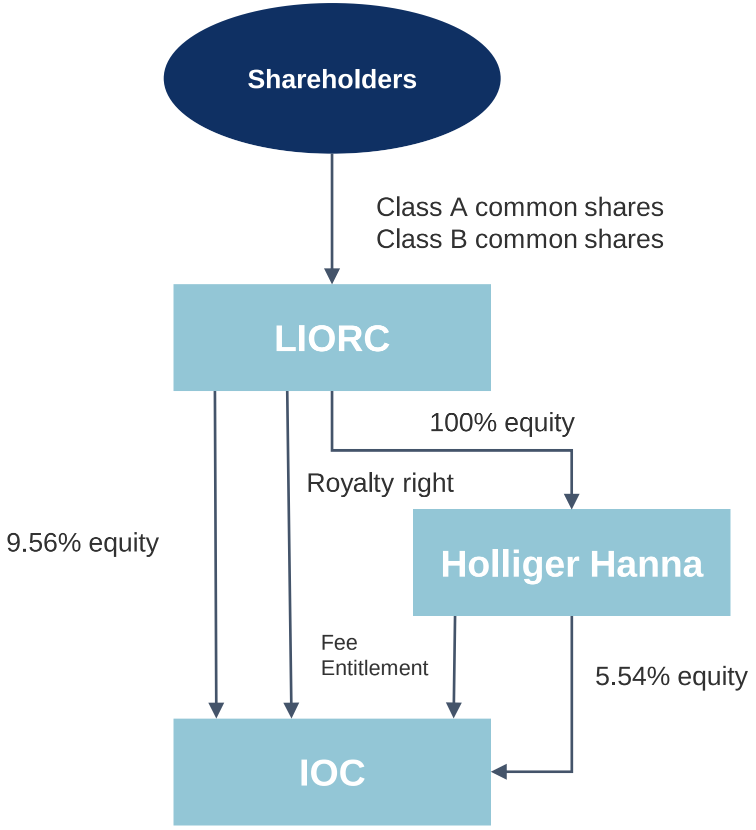
Spin-off Structure

- Under this scenario, each of the shareholders of LIORC will exchange a certain number of their common shares for a newly established publicly listed company ("LIOC")
- LIORC will transfer its 15.1% equity interest in IOC to LIOC for share consideration
- LIORC will propose to acquire for cancellation its common shares held by LIOC and LIOC will propose to redeem its shares held by LIORC. Once the cross shareholding structure is unwound:
  a) LIOC will directly hold 15.1% equity of IOC
  b) LIORC will directly hold the royalty and fee rights
  c) Current shareholders of LIORC will own the common shares of both listed companies: LIORC and LIOC
- The proposed reorganization, if implemented as planned, could be completed on a tax free basis for the companies and Canadian shareholders. Impacts on non-Canadian shareholders have not been closely analyzed but tax efficient potential structures have been identified.



Tracking share structure

- Under this scenario, each of the shareholders of LIORC will exchange their common shares for Class A common shares and Class B common shares
- The Class A common shares will track the value and the return of the rights of receiving the royalty and fees from IOC
- The Class B common shares will track the value and the return of the 15.1% equity interest in IOC
- The proposed reorganization, if implemented as planned, could be completed on a tax free basis for the companies and for Canadian shareholders. Impacts on non-Canadian shareholders have not been closely analyzed but tax efficient potential structures have been identified.



Appendix 2: Excerpt from January 25, 2019 Letter to LIORC Board

"Value Creation Opportunity

Altius also wishes to take this opportunity to reiterate its belief that a segregation of LIORC's 7% royalty and sales commission (together the **"Royalty"**) and its 15.1% equity stake in IOC (the **"IOC Equity"**) would create significant value and provide other benefits for the shareholders of LIORC. It is important to note that we are not advocating for a sale of either part, but simply for action to surface shareholder value through the segregation of the assets in a manner that would entitle current shareholders to continue to receive the same fractional ownership level of each as they do at present.

It is widely recognized that royalty companies are now collectively viewed to represent a new sub-sector within the mining industry, which typically trades at substantially higher valuations than operating businesses. LIORC, with currently more than half of its distributable income emanating from the Royalty, unfortunately receives a corporate valuation multiple that is more reflective of an operating business. Separation would allow the Royalty to re-rate significantly, resulting in a greater combined valuation being realized for shareholders.

The IOC Equity and Royalty ultimately present very different risk-reward profiles that appeal to contrasting investor types. A separation would therefore also allow current and future shareholders to manage their holding of either, or both, the Royalty and IOC Equity in accordance with their specific portfolio objectives.

The Royalty component will appeal to those that seek the lower risks inherent to that sector model. We believe that a pure royalty-based means of participating in the IOC mining operations would be highly attractive given its revenue scale, the strong margin curve position and proven durability of the underlying assets over multiple previous commodity cycles and the long remaining resource life.

The IOC Equity, on a standalone basis, would attract those who seek the additional leverage afforded by marginal level exposure to a large and highly profitable Canadian mining asset. Recently heightened degrees of market commentary and awareness concerning the operating strength of IOC, and its growing global importance as a source of high-quality iron ore, serve to further enhance its current appeal. These factors, amongst others, make a pro-active segregation particularly timely.

Altius has undertaken a preliminary evaluation of the viability of various alternatives to achieve this from a legal and taxation perspective and believes that it can be efficiently achieved either through:

a) a spin-out of one or the other asset classes to current shareholders, or

a) economic segregation of the assets by creating a tracking preferred share class through which IOC Equity dividends would be fully distributed to shareholders.

Altius is obviously highly convinced of the merits of separating the Royalty and IOC Equity components and have heard similar sentiment shared by many other shareholders…"