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## Altius Expresses Shareholder Concerns to Labrador Iron Ore Royalty Corporation

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**St. John's** - Altius Minerals Corporation ("Altius") (ALS:TSX, ATUSF:OTC QX) reports that on Friday January 25, 2019, Altius management representatives met with the CEO and a Director of Labrador Iron Ore Royalty Corporation ("LIORC"). During the meeting, Altius delivered a letter addressed to the LIORC board of directors that outlined certain specific shareholder concerns. The full text of this letter is shown at the conclusion of this press release. Altius holds approximately 6.2% of the outstanding common shares of LIORC.

The primary purpose of the meeting was to request that the board of LIORC pay out excess cash on its balance sheet and resume a commitment to its passive, flow-through business mandate. Altius' investment in LIORC is predicated upon LIORC adhering to a commitment to serve as a passive flow-through vehicle for royalties and equity dividends related to the operations of the Iron Ore Company of Canada ("IOC"). We explained during the meeting that several recent decisions and actions undertaken by LIORC contradict this commitment in our opinion and have created considerable uncertainty for Altius and other shareholders.

Altius also took the opportunity at the meeting to repeat a suggestion that the segregation of LIORC's royalty and operating level equity interests could provide significant value creation and risk-reward management benefits to all of its shareholders.

The letter further detailed these positions and specifically requested that the LIORC board and management commit to:

1. the timely payout of all excess withheld cash on its balance sheet in the form of a special dividend and to paying future cash dividends to the maximum extent possible, in accordance with its current articles and its publicly disclosed passive flow through mandate; and
2. offering all shareholders an opportunity, through an advisory vote, to provide a mandate to the management and the board of LIORC to complete an internal restructuring that would economically segregate its IOC royalty and the IOC equity.

The letter concluded by expressing a desire to work constructively with the management and the board to address the matters raised and asked that a response be provided by Wednesday January 30, 2019. On Friday February 1, 2019, a response was received from the CEO of LIORC that unfortunately failed to provide any degree of commitment or intent to satisfy either specific request, including the payout of recently withheld excess cash amounts.

As these issues have emerged during the past number of months Altius has heard from other shareholders that share similar opposition to any change in LIORC's current passive flow-through mandate and to the withholding of excess cash on its balance sheet. Including Altius, these shareholders have indicated ownership levels that we estimate to collectively represent between 25% and 30% of the issued and outstanding shares of LIORC. Conversely, Altius has not heard from a single LIORC shareholder that is supportive of the proposed change in mandate or the withholding of excess cash on the balance sheet.

While it remains our preference to work constructively and cooperatively with the management and board of LIORC, in light of the recent response, which has unfortunately served to heighten rather than alleviate our concerns, Altius will also now consider further options that may be available to it as a concerned shareholder.

### **Additional Information**

The information contained in this press release does not and is not meant to constitute a solicitation of proxies under applicable corporate or securities laws. Given that LIORC has not yet fixed a record date or meeting date for its annual meeting, Altius is not hereby soliciting proxies in connection with any LIORC shareholder meeting, and LIORC shareholders

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Date: Feb 5-2019

Ticker Symbol: ALS.TSX

are not being asked at this time to execute proxies in favour of any matter set forth in this press release. None of Altius or, to its knowledge, any of its associates or affiliates, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter currently proposed to be considered or acted on at a meeting of LIORC shareholders.

#### **About Altius**

*Altius directly and indirectly holds diversified royalties and streams which generate revenue from 15 operating mines. These are located in Canada and Brazil and produce copper, zinc, nickel, cobalt, iron ore, potash, and thermal (electrical) and metallurgical coal. The portfolio also includes numerous predevelopment stage royalties covering a wide spectrum of mineral commodities and jurisdictions. Altius Minerals also holds a large portfolio of exploration stage projects which it has generated for deal making with industry partners that results in newly created royalties and equity and minority interests. Altius has 42,851,726 common shares issued and outstanding that are listed on Canada's Toronto Stock Exchange. It is a member of both the S&P/TSX Small Cap and S&P/TSX Global Mining Indices.*

**For further information, please contact  
Flora Wood ([fwood@altiusminerals.com](mailto:fwood@altiusminerals.com)) at 1.877.576.2209**

January 25, 2019

Board of Directors  
Labrador Iron Ore Royalty Corporation  
PO Box 957  
STN Adelaide  
Toronto, ON M5C 2K3

Attention: William McNeil, President and Chief Executive Officer and Director

Dear Mr. McNeil,

Altius Minerals Corporation ("**Altius**") is a significant shareholder of Labrador Iron Ore Royalty Corporation ("**LIORC**" or the "**Company**") owning 3,971,000 or approximately 6.2% of the issued and outstanding shares.

We are delivering this letter to seek clarity and action related to certain recent decisions and announcements of the Company, which have been causing us deep concern. Our primary goal is to regain the comfort needed to continue on with our intention to be long-term shareholders. We also take this opportunity to reiterate Altius' view concerning an opportunity to potentially add significant value and benefits for all shareholders.

Articles Amendment Proposal and Withholding of Dividends

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Altius' decision to invest in LIORC was based on its understanding that, under the Company's Articles of Incorporation ("**Articles**") and its business mandate, it is a passive flow through entity for royalties and equity dividends related to the operations of the Iron Ore Company of Canada ("**IOC**"). Altius has also relied upon LIORC's public commitment to pay cash dividends to the maximum extent possible. This mandate and commitment has been publicly disclosed on numerous occasions, including in its most recent annual report, its 2018 third quarter report, and on its website.

We are concerned that LIORC's Management and Board are not currently acting in accordance with this business mandate and its past practice. In particular, we are troubled by the fact that LIORC is retaining increased amounts of cash on its balance sheet and continues to advocate for a change in its business mandate to allow the Company to actively pursue acquisitions, despite recently having had a similar proposal fail to receive required shareholder approval.

The result has been the creation of tremendous uncertainty within Altius as to whether or not we can continue to rely upon an expectation of having our fractional ownership based share of the proceeds from the Royalty and the IOC Equity flowed passively through to us. Anything short of this fundamentally undermines the basis of our investment in LIORC.

On June 18, 2018, the Company announced its intention to seek approval to amend LIORC's Articles to provide LIORC with the flexibility to invest in additional non-operating metal or mineral assets, including royalties and streams, and to issue shares to finance such investments. In a meeting with you that followed this announcement, Altius was clear in explaining its opposition to any such change for the reasons described above. On November 7, 2018, the Company stated it had decided to defer the calling of a shareholders' meeting to amend its Articles but has subsequently continued to make public statements that suggest the Company still intends to pursue such changes.

Further troubling, on September 14, 2018 the Company stated in a press release that "*The LIORC Board of Directors has decided to use a portion of the IOC dividend to increase the Corporation's cash position pending the outcome of relevant strategic considerations*". The Company then stated in a press release on November 7, 2018 that, "*The balance was used to build our cash balance to provide the Corporation with additional financial flexibility*". At September 30, 2018, the Company reported a cash balance of \$62.4 million and a \$50 million undrawn credit facility, and we believe that the cash balance has further increased during the subsequent quarter ended December 31, 2018.

We are firm in our belief that LIORC should return to operating in accordance with its Articles and its business mandate, unless otherwise authorized by its shareholders. As such, we are specifically asking the Board of LIORC to pay out the excess cash on its balance sheet and commit to resuming adherence to its existing Articles and passive mandate.

#### 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.

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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
- b) 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. We are therefore asking that you provide all shareholders with the opportunity for an advisory type vote on the potential separation of the Royalty and IOC Equity at the next AGM. Such a separation probably does not require shareholder approval under your Articles, as an internal restructuring is specifically permitted, however we are supportive of learning the views of our fellow shareholders to a fair question on the matter.

To summarize, our specific request of the LIORC Board and Management is to commit to:

1. the timely payout of all excess withheld cash on its balance sheet in the form of a special dividend and to paying future cash dividends to the maximum extent possible, in accordance with its current Articles and its publicly disclosed passive flow through mandate, and
2. an intention to offer all shareholders an opportunity, through an advisory vote, to provide a mandate to Management and the Board of LIORC to complete an internal restructuring that would separate the Royalty and the IOC Equity.

We look forward to your response to these requests and to working constructively with you in future. We would appreciate a response by Wednesday, January 30, 2019.

Sincerely,

**Altius Minerals Corporation**

By: "Brian Dalton"

**Brian Dalton**

**President & Chief Executive Officer**

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