



## First Quantum Minerals Limited and Labrador Iron Ore Royalty Corp. Are on the Move

### Description

Base metals prices have been rising of late as fears of a supply shortfall are emerging and demand for certain metals has held up better than expectations have. These have provided a much-needed boost for the sector.

#### **First Quantum Minerals Limited** ([TSX:FM](#))

First Quantum Minerals is up over 10% today on the back of strengthening base metals prices. In its latest earnings report, the company beat expectations as sales volumes were higher than expected and costs were lower than expected.

On the negative side, however, the fact remains that the company is still struggling with its debt burden and is still at risk of breaching its net-debt-to-EBITDA debt covenant.

Management remains committed to strengthen the balance sheet in this difficult environment. Specifically, the goal is to reduce net debt by at least \$1 billion through a combination of asset sales and other strategic initiatives, such as lowering capital expenditures, by the end of the first quarter of 2016.

#### **Labrador Iron Ore Royalty Corp.** ([TSX:LIF](#))

Iron ore is another commodity that has seen strength recently as the price closed above \$50 a tonne for the first time since October 2015. This is welcomed news for Labrador Iron Ore Royalty, whose stock is up almost 10% so far today.

As a reminder, Labrador Iron Ore Royalty owns a 15.1% interest in Iron Ore Co. (IOC), owns mining leases and licenses covering 18,200 hectares of land near Labrador City, from which it collects a 7% royalty, and receives a \$0.10 cent per tonne commission on the product sold by IOC.

In its latest results, the third quarter of 2015, the company reported lower revenue, lower cash flows, and lower earnings as the price of iron ore has declined in the last six or seven years to the \$40 per

tonne level from highs of over \$180 per tonne. This was due to increased supply out of the “Big Three” **BHP, Rio Tinto** and **Vale**, and a slowdown in growth in China.

For its part, Labrador Iron Ore Royalty has made strides to increase its own production and expects total production to be in excess of 19 million tonnes for the year, which is about three million tonnes more than each of the previous two years. In addition, and more importantly, is the fact that Labrador Iron Ore Royalty continues to receive a premium on its pellets sold, a reflection of its high-quality ore.

And as a bonus, the stock has a dividend yield of 8.9%.

In closing, while First Quantum represents a higher-risk way to play a recovery in the materials sector due to its balance sheet, Labrador Iron Ore Royalty’s royalty structure means that it is a lower-risk way to play a recovery.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

## TICKERS GLOBAL

1. TSX:FM (First Quantum Minerals Ltd.)
2. TSX:LIF (Labrador Iron Ore Royalty Corporation)

## Category

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

## Date

2025/07/20

## Date Created

2016/02/22

## Author

karenjennifer

default watermark