LABRADOR IRON ORE
ROYALTY CORPORATION

222

THIRD QUARTER REPORT

84 YEARS IN LABRADOR WEST

Report To Shareholders

To the Holders of Common Shares of Labrador Iron Ore Royalty Corporation

The Directors of Labrador Iron Ore Royalty Corporation ("LIORC" or the "Corporation") present the third quarter report for the period ended September 30, 2022.

Financial Performance

In the third quarter of 2022, LIORC's financial results were negatively affected by lower iron ore prices, partially offset by higher pellet premiums and higher volumes of concentrate for sale ("CFS") sales. Royalty revenue for the third quarter of 2022 amounted to $63.5 million compared to $74.2 million for the third quarter of 2021. Equity earnings from Iron Ore Company of Canada ("IOC") were $46.8 million in the third quarter of 2022 compared to $60.5 million in the third quarter of 2021. Net income per share for the third quarter of 2022 was $1.24 per share, which was a 24% decrease over the same period in 2021. The adjusted cash flow per share for the third quarter of 2022 was $1.09 per share, which was 45% lower than in the same period in 2021, as a result of lower royalty revenues and because LIORC received a dividend from IOC in the amount of $34.2 million in the third quarter of 2022, compared to a dividend from IOC in the amount of $85.8 million in the third quarter of 2021.

In the third quarter of 2022, iron ore prices further declined from the record levels experienced in 2021, predominantly as a result of lower global steel production. According to the World Steel Association, global crude steel production decreased 4% in the first 9 months of 2022 over the first 9 months of 2021, as higher inflation and global recessionary concerns reduced the demand for steel. In China, which accounts for over 70% of all seaborne iron ore demand, crude steel production was 3% lower in the first 9 months of 2022, compared to the first 9 months of 2021, due to China's strict policy of COVID-19 lockdowns and ongoing concerns about China's property construction sector. Elsewhere, lower demand and higher energy costs put pressure on steel producer margins and led to a number of steel facilities being idled across Europe.

Partially mitigating the decline in demand, total seaborne iron ore supply contracted 4.5% up to the end of August versus the same period of 2021. According to Rio Tinto, while the major iron ore producers shipped the same aggregate volume during the first three quarters of 2022 as they did over the same period of 2021, supply from other producers was 17% lower year to date due to, among other factors, the war in Ukraine and export taxes in India.

IOC sells CFS based on the Platts index for 65% Fe, CFR China ("65% Fe index"). All references to tonnes and per tonne prices in this report refer to wet metric tonnes, other than references to Platts quoted pricing, which refer to dry metric tonnes. Historically, IOC's wet ore contains approximately 3% less ore per equivalent volume than dry ore. In the third quarter of 2022, the 65% Fe index averaged US$115 per tonne, a 39% decrease over the average of US$190 per tonne in the third quarter of 2021, and a 28% decrease over the average of US$160 per tonne in the second quarter of 2022. The monthly Atlantic Blast Furnace 65% Fe pellet premium index as quoted by Platts (the "pellet premium") averaged

US$80 per tonne in the third quarter of 2022, up 5% from an average of US$77 per tonne in the same quarter of 2021, and down 1% from an average of US$81 per tonne in the second quarter of 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$146 per tonne in the third quarter of 2022, compared to approximately US$196 per tonne in the third quarter of 2021 and US$168 per tonne in the second quarter of 2022. The decrease in the average realized price FOB Sept-Îles in 2022 was a result of lower CFS and pellet prices, and to a lesser extent a change in product mix, as pellets represented 52% of sales in the third quarter of 2022, compared to 57% of sales in the same quarter of 2021 and the second quarter of 2022.

Iron Ore Company of Canada Operations

Operations

IOC concentrate production of 4.9 million tonnes in the third quarter of 2022 was 26% higher than the same quarter of 2021, due a lower strip ratio, as well as a timing difference of the planned 7-day annual maintenance shutdown, which was completed in June 2022 vs. September 2021. IOC's concentrate production was 2% lower than in the second quarter of 2022, as a result of a higher weight yield in the second quarter due to pit sequencing, offset by the timing difference of the annual shutdown referred to above.

The IOC saleable production (CFS plus pellets) of 4.7 million tonnes in the third quarter of 2022 was 28% higher than the same period in 2021, predominantly due to the higher concentrate production discussed above. The IOC saleable production in the third quarter of 2022 was 7% higher than the second quarter of 2022, despite the lower concentrate level in the third quarter, due to a negative stockpile survey adjustment in the second quarter and lower pellet recovery rates experienced during the second quarter.

Pellet production in the third quarter of 2022 of 2.6 million tonnes was 15% higher than the corresponding quarter in 2021 and 17% higher than the second quarter of 2022 due to the planned 7-day annual maintenance shutdown in September 2021 and June 2022. Pellet production in the second quarter of 2022 was also negatively impacted by the negative stockpile survey adjustment referred to above.In the third quarter of 2022, CFS production of 2.1 million tonnes was 49% higher than the same quarter last year and 3% lower than the second quarter of 2022, due to lower concentrate production in the third quarter of 2021.

Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.5 million tonnes in the third quarter of 2022 was 9% higher than the total sales tonnage for the same period in 2021 and 6% higher than the second quarter of 2022. Differences in the quarterly sales tonnages were largely as a result of higher inventory levels driven by increased CFS production and timing differences. Pellet sales tonnage in the third quarter of 2022 was 1% lower than the same period in 2021 and 5% lower than the second quarter of 2022. CFS sales tonnage was 22% higher than the same quarter last year and 20% higher than the second quarter of 2022.

Report To Shareholders

Outlook

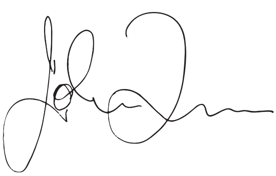
Rio Tinto's 2022 guidance for IOC's saleable production (CFS plus pellets) remains at 17.0 million to 18.7 million tonnes. This compares to 16.6 million tonnes of saleable production in 2021. Through the first three quarters of 2022, IOC's total saleable production was 13.3 million tonnes, or 74% of the mid-point of Rio Tinto's annual guidance.

Post the end of the third quarter, the negative outlook for steel production has continued to put downward pressure on seaborne iron ore prices. In October 2022, the average price of the 65% Fe index fell further to US$105 per tonne, or 10% lower than the average of the 65% Fe index for the third quarter of 2022. The pellet premium for October was also lower, falling to US$62 per tonne compared to the average of US$80 per tonne in the third quarter of 2022. And, according to the World Steel Association, which recently revised down its short range outlook for steel production for the remainder of 2022 and 2023, the balance of risks is largely skewed to the downside due to increased global economic uncertainty as a result of the effect of monetary tightening, continuation of inflation, the direction of the Chinese economy and its COVID policy, the potential crisis of gas supply in Europe, and the aggravation of the Russian-Ukraine war with unexpected consequences.

However, despite the negative sentiment regarding the outlook for the global economy, recent iron ore prices have, to date, remained fairly attractive from a historical perspective, as the supply and demand for iron ore products has remained relatively balanced. LIORC continues to be able to generate cash flow in the current iron ore pricing environment, and benefits from LIORC's top-line royalty structure which effectively dampens some of the recent commodity price volatility.

LIORC has no debt and at September 30, 2022 had positive net working capital (current assets less current liabilities) of $32 million, which included the third quarter net royalty payment received from IOC on October 25, 2022 and the LIORC dividend in the amount of $1.00 per share paid to shareholders on the next day.

Respectfully submitted on behalf of the Directors of the Corporation,



John F. Tuer
President and Chief Executive Officer
November 3, 2022

Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis section of Labrador Iron Ore Royalty Corporation's ("LIORC" or the "Corporation") 2021 Annual Report, and the financial statements and notes contained therein and the September 30, 2022 interim condensed consolidated financial statements.

Overview of the Business

The Corporation's revenues are entirely dependent on the operations of 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 Corporation's royalty revenue is affected by the price of iron ore and the Canadian – U.S. dollar exchange rate. The first quarter sales of IOC are traditionally adversely affected by the general winter operating conditions and are usually 15% – 20% of the annual volume, 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.

Financial Highlights

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(Unaudited) *($ in millions except per share information)*			
Revenue	64.1	74.7	184.6	219.7
Equity earnings from IOC	46.8	60.5	134.4	183.7
Net income	79.2	104.8	220.9	301.6
Net income per share	$1.24	$ 1.64	$ 3.45	$ 4.71
Dividend from IOC	34.2	85.8	53.7	179.3
Cash flow from operations	78.5	137.3	123.7	295.9
Cash flow from operations per share(1)	$1.23	$ 2.15	$ 1.93	$ 4.62
Adjusted cash flow(1)	69.7	127.3	155.9	301.0
Adjusted cash flow per share(1)	$1.09	$ 1.99	$ 2.44	$ 4.70
Dividends declared per share	$1.00	$ 2.10	$ 2.40	$ 4.85

(1) This is a non-IFRS financial measure and does not have a standard meaning under IFRS. Please refer to Standardized Cash Flow and Adjusted Cash Flow section in the MD&A.

The lower revenue, net income and equity earnings achieved in the third quarter of 2022 as compared to 2021 were mainly due to lower iron ore prices, partly offset by higher pellet premiums and sales of CFS. The third quarter of 2022 sales tonnage (pellets and CFS) were higher by 9% than the third quarter of 2021 predominantly due to higher inventories driven by an increase in CFS production. Pellet sales tonnage in the third quarter of 2022 was 1.2% lower than the same period in 2021 and 5% lower than the second quarter of 2022. CFS sales tonnage was 22% higher than the same quarter last year and 20% higher than the second quarter of 2022.

However, the higher sales tonnage was more than offset by a decrease in the realized sales price of pellets and CFS, resulting in royalty income of $63.5 million for the quarter as compared to $74.2 million for the same period in 2021. Third quarter 2022 cash flow from operations was $78.5 million or $1.23 per share compared to $137.3 million or $2.15 per share for the same period in 2021. LIORC received an IOC dividend in the third quarter of 2022 in the amount of $34.2 million or $0.53 per share compared to $85.8 million or $1.34 per share for the same period in 2021. Equity earnings from IOC amounted to $46.8 million or $0.73 per share in the third quarter of 2022 compared to $60.5 million or $0.95 per share for the same period in 2021.

Operating Highlights

IOC Operations	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	(in millions of tonnes)			
Sales[1]				
Pellets	2.35	2.37	7.23	7.08
Concentrate for sale ("CFS")[2]	2.20	1.80	5.19	5.32
Total[3]	4.55	4.18	12.42	12.40
Production				
Concentrate produced	4.92	3.92	14.33	13.12
Saleable production				
Pellets	2.62	2.27	7.33	7.45
CFS	2.11	1.41	5.93	4.86
Total[3]	4.73	3.68	13.26	12.31
Average index prices per tonne (US$)				
65% Fe index[4]	$ 115	$ 190	$ 148	$ 205
62% Fe index[5]	$ 103	$ 163	$ 128	$ 177
Pellet premium[6]	$ 80	$ 77	$ 76	$ 62

(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 sells CFS based on the 65% Fe index. In the third quarter of 2022, the 65% Fe index averaged US$115 per tonne, a 39% decrease over the average of US$190 per tonne in the third quarter of 2021. Iron ore prices decreased, as lower global steel production reduced the demand for seaborne iron ore. The monthly pellet premium averaged US$80 per tonne in the third quarter of 2022, up 5% from an average of US$77 per tonne in the same quarter of 2021.

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$146 per tonne in the third quarter of 2022, compared to approximately US$196 per tonne in the third quarter of 2021 and US$168 per tonne in the second quarter of 2022. The decrease in the average realized price FOB Sept-Îles in 2022 was a result of lower CFS and pellet prices, and to a lesser extent a change in product mix, as pellets represented 52% of sales in the third quarter of 2022, compared to 57% of sales in the same quarter of 2021 and the second quarter of 2022.

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 $1.23 for the quarter (2021 – $2.15).

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 International Financial Reporting Standards ("IFRS"). The Directors believe that adjusted cash flow is a useful analytical measure as it better reflects cash available for dividends to shareholders.

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

	3 Months Ended Sept. 30, 2022	**3 Months Ended Sept. 30, 2021**	**9 Months Ended Sept. 30, 2022**	**9 Months Ended Sept. 30, 2021**
	(in thousands except for per share information)			
Cash flow from operating activities	$78,487	$137,298	$123,700	$295,850
Changes in amounts receivable, accounts payable and income taxes payable	(8,828)	(9,963)	32,154	5,163
Adjusted cash flow	$69,659	$127,335	$155,854	$301,013
Adjusted cash flow per share	$ 1.09	$ 1.99	$ 2.44	$ 4.70

Liquidity and Capital Resources

The Corporation had $43.4 million in cash as at September 30, 2022 (December 31, 2021 – $82.9 million) with total current assets of $107.9 million (December 31, 2021 – $132.6 million). The Corporation had working capital of $31.8 million as at September 30, 2022 (December 31, 2021 – $29.6 million). The Corporation's operating cash flow was $78.5 million and the dividend paid during the quarter was $57.6 million, resulting in cash balances increasing by $20.9 million during the third quarter of 2022. In September the Directors of the Corporation declared the third quarter dividend of $64 million that was paid on October 26, 2022.

Cash balances consist of deposits in Canadian dollars with Canadian chartered banks. Amounts 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 its net income 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, 2024 with provision for annual one-year extensions. No amount is currently drawn under this facility (2021 – nil) leaving $30.0 million available to provide for any capital required by IOC or requirements of the Corporation.

Disclosure Controls and Internal Control over Financial Reporting

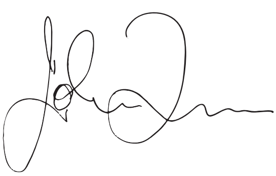
The President and CEO and the CFO are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Corporation. Two directors serve as directors of IOC and IOC provides monthly reports on its operations to them. The Corporation 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 Analysis, the Annual Information Form, any prospectuses and all press releases. An evaluation of the design and operating effectiveness of the Corporation's disclosure controls and procedures was conducted under the supervision of the 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 three month period ended September 30, 2022.

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 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 three month period ended September 30, 2022.

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 changes in the Corporation's internal control over financial reporting occurred during the three month period ended September 30, 2022.



John F. Tuer
President and Chief Executive Officer

Toronto, Ontario
November 3, 2022

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 licences 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 11, 2022 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-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.sedar.com.

Notice:

The following unaudited interim condensed consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not reviewed these interim financial statements.

Labrador Iron Ore Royalty Corporation
Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	As at September 30, 2022	 December 31, 2021
	(Unaudited)	
Assets		
Current Assets		
Cash and short-term investments	$ 43,413	$ 82,913
Amounts receivable (note 4)	58,265	49,681
Income taxes recoverable	6,249	—
Total Current Assets	107,927	132,594
Non-Current Assets		
Iron Ore Company of Canada (“IOC”) royalty and commission interests	230,359	235,341
Investment in IOC (note 5)	508,603	421,376
Total Non-Current Assets	738,962	656,717
Total Assets	$846,889	$789,311
Liabilities and Shareholders’ Equity		
Current Liabilities		
Accounts payable	$ 12,090	$ 10,786
Dividend payable	64,000	73,600
Taxes payable	—	18,625
Total Current Liabilities	76,090	103,011
Non-Current Liabilities		
Deferred income taxes (note 6)	133,860	122,240
Total Liabilities	209,950	225,251
Shareholders’ Equity		
Share capital	317,708	317,708
Retained earnings	325,049	257,772
Accumulated other comprehensive loss	(5,818)	(11,420)
	636,939	564,060
Total Liabilities and Shareholders’ Equity	$846,889	$789,311

See accompanying notes to interim condensed consolidated financial statements.

Approved by the Directors,

John F. Tuer
Director

Patricia M. Volker
Director

Labrador Iron Ore Royalty Corporation
Consolidated Statements of Income and Comprehensive Income

(in thousands of Canadian dollars except for per share information)	For the Three Months Ended September 30, 2022	2021
	(Unaudited)	
Revenue		
IOC royalties	$63,475	$ 74,224
IOC commissions	447	411
Interest and other income	137	70
	64,059	74,705
Expenses		
Newfoundland royalty taxes	12,695	14,845
Amortization of royalty and commission interests	1,660	1,479
Administrative expenses	687	607
	15,042	16,931
Income before equity earnings and income taxes	49,017	57,774
Equity earnings in IOC	46,781	60,522
Income before income taxes	95,798	118,296
Provision for income taxes (note 6)		
Current	15,186	17,763
Deferred	1,410	(4,230)
	16,596	13,533
Net income for the period	79,202	104,763
Comprehensive income for the period	$79,202	$104,763
Net income per share	$ 1.24	$ 1.64

See accompanying notes to interim condensed consolidated financial statements.

Labrador Iron Ore Royalty Corporation
Interim Condensed Consolidated Statements of Income and Comprehensive Income

(in thousands of Canadian dollars except for per share information)	**For the Nine Months Ended September 30,** 2022	2021
	2022	**2021**
	(Unaudited)	
Revenue		
IOC royalties	$183,130	$218,265
IOC commissions	1,223	1,219
Interest and other income	238	170
	184,591	219,654
Expenses		
Newfoundland royalty taxes	36,626	43,653
Amortization of royalty and commission interests	4,982	4,536
Administrative expenses	2,212	2,149
	43,820	50,338
Income before equity earnings and income taxes	140,771	169,316
Equity earnings in IOC	134,355	183,714
Income before income taxes	275,126	353,030
Provision for income taxes (note 6)		
Current	43,618	52,121
Deferred	10,631	(667)
	54,249	51,454
Net income for the period	220,877	301,576
Other comprehensive income		
Share of other comprehensive income of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2022 – $989; 2021 – $557)	5,602	3,156
Comprehensive income for the period	$226,479	$304,732
Net income per share	$ 3.45	$ 4.71

See accompanying notes to interim condensed consolidated financial statements.

LABRADOR IRON ORE ROYALTY CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	For the Nine Months Ended September 30, 2022	2021
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	$ 220,877	$ 301,576
Items not affecting cash:		
Equity earnings in IOC	(134,355)	(183,714)
Current income taxes	43,618	52,121
Deferred income taxes	10,631	(667)
Amortization of royalty and commission interests	4,982	4,536
Common share dividend from IOC	53,719	179,282
Change in amounts receivable	(8,584)	(19,516)
Change in accounts payable	1,304	3,637
Income taxes paid	(68,492)	(41,405)
Cash flow from operating activities	123,700	295,850
Financing		
Dividend paid to shareholders	(163,200)	(291,200)
Cash flow used in financing activities	(163,200)	(291,200)
(Decrease) increase in cash, during the period	(39,500)	4,650
Cash, beginning of period	82,913	106,091
Cash, end of period	$ 43,413	$ 110,741

See accompanying notes to interim condensed consolidated financial statements.

Labrador Iron Ore Royalty Corporation
Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)	**Share capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Total**
			(Unaudited)	
Balance as at December 31, 2020	$317,708	$ 262,000	$(13,340)	$ 566,368
Net income for the period	—	301,576	—	301,576
Dividends declared to shareholders	—	(310,400)	—	(310,400)
Share of other comprehensive income from investment in IOC (net of taxes)	—	—	3,156	3,156
Balance as at September 30, 2021	$317,708	$ 253,176	$(10,184)	$ 560,700
Balance as at December 31, 2021	$317,708	$ 257,772	$(11,420)	$ 564,060
Net income for the period	—	220,877	—	220,877
Dividends declared to shareholders	—	(153,600)	—	(153,600)
Share of other comprehensive income from investment in IOC (net of taxes)	—	—	5,602	5,602
Balance as at September 30, 2022	$317,708	$ 325,049	$ (5,818)	$ 636,939

See accompanying notes to interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars)

1. Corporate Information

Labrador Iron Ore Royalty Corporation (the "Corporation") directly and through its wholly-owned subsidiary, Hollinger Hanna Limited ("Hollinger-Hanna"), holds a 15.10% equity interest in Iron Ore Company of Canada ("IOC"), a 7% gross overriding royalty on all iron ore products produced, sold and shipped by IOC, a $0.10 per tonne commission interest on sales of iron ore by IOC and certain lease interests and, accordingly, is economically dependent on IOC. The Corporation is listed on the Toronto Stock Exchange under the symbol LIF. The registered office of the Corporation is 235 Water Street, P.O. Box 610, St. John's, Newfoundland and Labrador, A1C 5L3.

Seasonality

The results of operations and operating cash flows of the Corporation vary considerably from quarter to quarter. The operations of the Corporation are dependent on the royalty and commission revenues from IOC, whose production and revenues are not constant throughout the year, being lower during the winter months when the St. Lawrence Seaway is closed. The results reported in these interim condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

2. Basis of Presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

These interim condensed consolidated financial statements and management's discussion and analysis were authorized for issuance by the Board of Directors of the Corporation on November 3, 2022.

3. Significant Accounting Policies

These interim condensed consolidated financial statements have been prepared using the same accounting policies as the annual consolidated financial statements for the year ended December 31, 2021. The disclosure in these interim condensed consolidated financial statements does not include all requirements of IAS 1 *Presentation of Financial Statements*. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

4. Amounts Receivable

	September 30, 2022	December 31, 2021
IOC royalties	$57,960	$49,530
IOC commissions	167	136
Other	138	15
	$58,265	$49,681

5. Investment in IOC

The Corporation holds, directly and through Hollinger-Hanna, all of the Series B and Series C common shares of IOC, representing a 15.10% equity interest in IOC as at September 30, 2022 and December 31, 2021. The Series B and Series C common shares have identical voting rights to all other issued and outstanding common shares of IOC.

	September 30, 2022	December 31, 2021
Investment in IOC, beginning of period	$421,376	$ 417,284
Equity earnings in IOC	134,355	229,590
Other comprehensive income of IOC	6,591	2,259
Common share dividend received	(53,719)	(227,757)
Investment in IOC, end of period	$508,603	$ 421,376

The net excess of cost of the Investment in IOC over the net book value of the Corporation's proportionate interest in the underlying net assets of IOC amounts to $39,399 as at September 30, 2022 (December 31, 2021 – $40,251) and is being amortized to net income on the units-of-production method based on actual production in the current year and estimated production of iron ore over the life of mine at IOC.

6. Income Taxes

The provision for income taxes in the statements of comprehensive income differs from the amount computed by applying the combined Canadian federal and provincial tax rate to the Corporation's income before income taxes. The reasons for the difference and the related tax effects are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Income before income taxes	$95,798	$118,296	$275,126	$353,030
Income taxes at combined federal and provincial statutory tax rates of 30.0%	28,739	35,489	82,538	105,909
Decrease in income taxes resulting from:				
Undistributed equity earnings in investment in IOC	(7,017)	(9,078)	(20,153)	(27,557)
Equity earnings distributed as dividends	(5,125)	(12,876)	(8,058)	(26,892)
Other	(1)	(2)	(78)	(6)
Income tax expense	$16,596	$ 13,533	$ 54,249	$ 51,454

In addition to income taxes, the Corporation pays 20% Government of Newfoundland and Labrador royalty tax, which is deducted at source and remitted by IOC.

The deferred tax liability is comprised of the following:

	Opening Balance	Recognized in net income	Recognized in other comprehensive income	Closing Balance
December 31, 2021				
Difference in tax and book value of assets	$123,925	$ (1,575)	$339	$122,689
Tax benefit of deductible temporary differences	(495)	46	—	(449)
Net deferred income tax liability	$123,430	$ (1,529)	$339	$122,240
September 30, 2022				
Difference in tax and book value of assets	$122,689	$10,600	$989	$134,278
Tax benefit of deductible temporary differences	(449)	31	—	(418)
Net deferred income tax liability	$122,240	$10,631	$989	$133,860

7. Key Management Personnel Compensation

Key management personnel are the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer, the Secretary and directors. Their remuneration for the three months ended September 30, 2022 was comprised of salaries, Restricted Share Units ("RSUs"), and fees totaling $301 (2021 – $219). Their remuneration for the nine months ended September 30, 2022 was comprised of salaries, RSUs, and fees totaling $960 (2021 – $1,091)

8. Share-based payments

On March 15, 2018, the Corporation adopted a restricted share unit plan ("Plan") for its employees that uses notional units that are valued based on the Corporation's common share price on the Toronto Stock Exchange. The RSUs accumulate dividend equivalents in the form of additional units based on the dividends paid on the Corporation's common shares. The Plan is settled in cash and, as a result, is classified as a liability. Fluctuations in the Corporation's share price change the value of the RSUs, which affects the Corporation's compensation expense.

Under the Plan, selected employees receive an award of RSUs which vest in three equal installments on each of the first, second and third anniversary of the award date. Upon vesting all RSUs are paid in cash to the employee. The share-based payment expense is recognized evenly over the vesting period. As at September 30, 2022, there were 13,566 (2021 – 17,623) RSUs awarded and outstanding. For the three month and nine month periods ended September 30, 2022, compensation expense (recovery) of approximately $48 (2021 – ($26)) and $202 (2021 – $327) were accrued in connection with the RSUs.

Corporate Information

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Douglas F. McCutcheon(1)
President of
Longview Asset Management Ltd

Dorothea E. Mell(1)
Company Director

Sandra L. Rosch
Executive Vice President
Labrador Iron Ore Royalty Corporation

Patricia M. Volker(1)
Company Director

Officers

William H. McNeil
Chair of the Board

John F. Tuer
President and Chief Executive Officer

Sandra L. Rosch
Executive Vice President

Alan R. Thomas
Chief Financial Officer

Robert O. Hansen
Secretary

(1) Member of Audit, Nominating and Compensation Committees

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