LABRADOR IRON ORE ROYALTY CORPORATION

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2023

March 12, 2024

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LIORC

Labrador Iron Ore Royalty Corporation (“**LIORC**”), a corporation existing under the *Canada Business Corporations Act*, was formed to give effect to the conversion of the Labrador Iron Ore Royalty Income Fund (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 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 Limited (“**Hollinger-Hanna**”), holds a 15.10% equity interest (the “**IOC Equity**”) in Iron Ore Company of Canada (“**IOC**”). LIORC receives a 7% gross overriding royalty (the “**Royalty**”) on all iron ore product produced, sold and shipped by IOC and Hollinger-Hanna receives a 10 cent per tonne fee (the “**Fee**”) on all iron ore products produced and sold by IOC.

LIORC 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 Directors anticipate continuing to return cash to shareholders to the maximum extent possible, subject to the adjustments referred to above. The shareholders currently receive quarterly dividends on the common shares on or after the 26th day of the month following the end of each quarter.

As at December 31, 2023, LIORC had 64 million common shares outstanding. The common shares trade on the Toronto Stock Exchange under the symbol LIF. The common shares are qualified investments under the *Income Tax Act* (Canada) for deferred plans, including registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

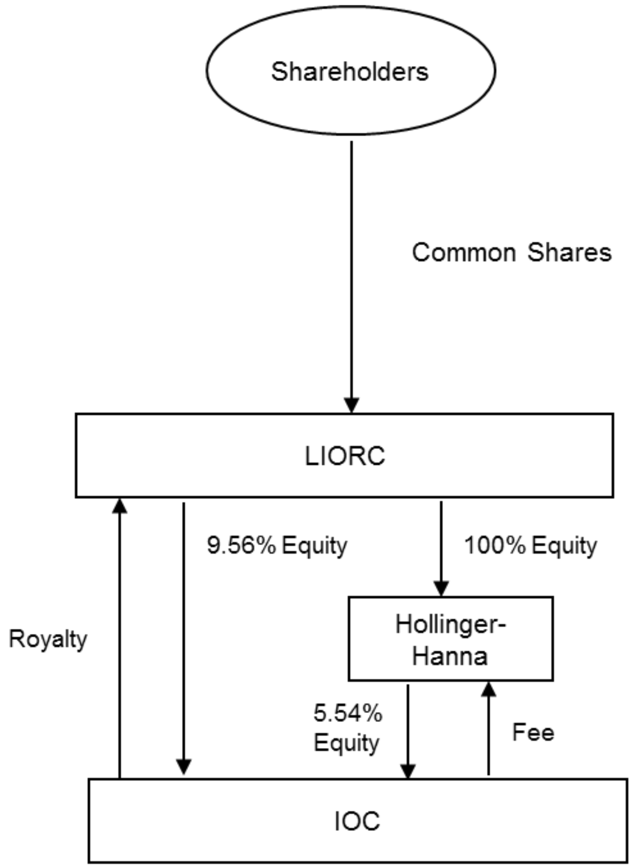
The registered office of LIORC is located at Suite 1000, Scotia Centre, 235 Water Street, St. John’s, Newfoundland and Labrador, A1C 1B6. Administration and Investor Relations can be contacted at P.O. Box 957, STN Adelaide Toronto, Ontario M5C 2K3 or (416) 362-0066.

Hollinger-Hanna Limited

Hollinger-Hanna, a wholly-owned subsidiary of LIORC, was continued on May 28, 1980 under the *Canada Business Corporations Act*. Hollinger-Hanna holds a 5.54% equity interest in IOC and is entitled to the Fee on all iron ore products produced and sold by IOC. Pursuant to an agreement with IOC, the Fee is payable on all sales for so long as Hollinger-Hanna is in existence and solvent.

Corporate Structure

The following diagram sets forth the organizational structure of LIORC and its subsidiary.



GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History (2021-2023)

The Royalty received by LIORC from IOC depends on sales volumes, prices and, because sales are in US dollars, the US-Canadian dollar exchange rate. Dividends from IOC received in respect of the IOC Equity investment are at the discretion of IOC and its majority shareholder Rio Tinto, but are also influenced by sales volumes, prices, as well as operating expenses and capital expenditure requirements. A three-year history follows. With respect to Platts index pricing, all “per tonne” references in this Annual Information Form mean "dry metric tonnes". All other “per tonne” references mean "wet metric tonnes".

In 2021, high iron ore prices resulted in record earnings and cash flow for LIORC. However, iron ore prices were also volatile throughout the year. Global steel production rebounded as the global economy recovered from the COVID-19 lock-downs of 2020. This resulted in increased demand from China and the rest of the world for seaborne iron ore in the first half of the year. The Platts index for 65% Fe iron ore CFR (i.e. cost and freight, meaning the seller is responsible for shipping costs) China ("**65% Fe index**") which started the year at US$181 per tonne on January 4, 2021 increased to a high of US$264 per tonne on May 12, 2021. In the second half of the year iron ore prices decreased rapidly as China, which accounts for over 70% of seaborne iron ore demand, curbed steel production in order to reduce emissions and lower input prices, including iron ore prices. As a result, the 65% Fe index decreased to a low of US$102 per tonne on November 18, 2021, before recovering to end the year at US$140 per tonne on December 31, 2021. The rebound in the global economy during 2021 also increased the demand for pellets in China and various markets across Europe and North America. The monthly Atlantic Blast Furnace 65% Fe pellet premium index as reported by Platts ("**Platts pellet premium**") averaged US$60 per tonne in 2021, an increase of 108% from 2020. In 2021, IOC produced 10.0 million tonnes of pellets and 6.6 million tonnes of concentrate for sale. This was 6% lower than total saleable production in 2020 due to prolonged labour and equipment availability issues impacting product feed and various other operational challenges throughout the year.

In 2022, global steel production dropped by 5%, as higher inflation and global recessionary concerns reduced the demand for steel. Steel production was also negatively impacted by China's zero COVID-19 policy of strict lockdowns and concerns about China's property construction sector. This resulted in decreased demand from China and the rest of the world for seaborne iron ore, and hence iron ore prices declined from the record prices experienced in 2021. IOC sells concentrate for sale based on the 65% Fe index. In 2022, the average price for the 65% Fe index was US$139 per tonne, a decrease of 25% year over year. In 2022, production of concentrate for sale of 7.95 million tonnes was 21% higher than 2021, mainly due to higher concentrate production and lower pellet production. Pellet production in 2022 of 9.6 million tonnes was 4% lower than 2021, mainly due to equipment reliability challenges, a negative stockpile survey adjustment and lower pellet recovery rates experienced during the year.

In 2023, global steel production ended the year flat relative to 2022. On the supply side, three producers, Rio Tinto, BHP and Vale, who account for over half the world's volume of seaborne iron ore, produced 907 million tonnes in 2023, an increase of 2.4% over 2022. As a result, the average price for the 65% Fe index was US$132 per tonne in 2023, a decrease of 5% year over year. Pellet premiums also dropped in 2023 as steel producers, faced with tightening profit margins, substituted high quality pellets with cheaper, lower quality iron feed. The monthly Platts pellet premium averaged US$45 per tonne in 2023, a decrease of 38% from 2022. In 2023 IOC produced 17.7 million tonnes of concentrate, a decrease of 7% from 2022, mainly due to unexpected equipment failures with the thickener rake drive and the overland delivery system conveyor belt in the third quarter and the impact of forest fires in the second quarter. In 2023, concentrate for sale 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.

Long-Term Debt

LIORC has a $30 million revolving senior secured credit facility with a term ending September 18, 2026. Each year LIORC may request a one year extension of the maturity date. The credit facility provides for various forms of advances at the option of the company. Various interest options are available for the revolving credit and a standby fee is payable on the unadvanced portion of the facility. The facility is secured by an assignment of LIORC's and Hollinger-Hanna's interests in the IOC Equity, the Royalty and the Fee and requires that LIORC maintain certain financial ratios.

As at December 31, 2023, there was no amount drawn under the credit facility.

IOC Financial Information

The financial information for IOC provided herein in respect of periods ending prior to January 1, 2021 has been prepared in accordance with Generally Accepted Accounting Principles in the United States and in respect of periods ending after January 1, 2021 have been prepared in accordance with International Financial Reporting Standards. The amounts would not be materially different if prepared in accordance with International Financial Reporting Standards.

THE BUSINESS

History of Operations

LIORC holds the Royalty, a 9.56% equity interest in IOC, a 100% interest in Hollinger-Hanna (which holds a 5.54% equity interest in IOC), and certain other passive assets.

The Royalty

LIORC holds 12 long-term leases and eight licences (collectively, the "**Labrador Leases**") from the Government of Newfoundland and Labrador covering approximately 18,200 hectares of land near Labrador City. LIORC's leasehold interests authorize mining and mineral extraction, whereas the licences grant LIORC exclusive authority to explore such lands for mineralization. Labrador City is approximately 410 kilometres by railway from Sept-Îles, Québec, a deep water port located on the Gulf of St. Lawrence. The Labrador Leases include all mineral interests contained upon or under the lands, excluding oil and natural gas rights. Active mining is presently being conducted on four of the 12 leases covering approximately 4,544 hectares of land.

The 12 leases which constitute the leasehold portion of the Labrador Leases were initially granted in 1960, 1962, 1965 and 1971 and were for terms of 30 years with the right to renew the leases for two additional 30 year terms. In accordance with their terms, all 12 leases were renewed in 2020 for third terms of 30 years which will expire in 2050, 2052, 2055 and 2061.

Six licences were initially issued in 1962 for 40 year terms, and one was issued in 1964 for a 40 year term. The six licences were converted to map staked licences in 2002 and two of these were grouped together in 2004. All of these were extended for five years on July 15, 2007, July 15, 2012 and again on July 15, 2017. The remaining licence was converted to a map staked licence in 2004, and was extended for five years on January 5, 2009, January 5, 2014 and again on January 5, 2019. Map staked licences confer the exclusive right to explore for a period of five years, subject to assessment work, and the holder has a right to apply for three five-year extensions. After the third five-year extension, licenses can be held for a further ten years, subject to more stringent assessment requirements and annual extensions to the licenses. One licence was split into two licences in 2022, a second licence was split into two licenses in 2023 and a third licence is expected to be split into two licences later in 2024, in each case in accordance with the requirements of the *Mineral Act* (Newfoundland and Labrador).

On February 25, 1953, LIORC entered into a sublease agreement with IOC (as amended from time to time, the "**sublease**") whereby LIORC leased to IOC mineral interests in iron ore on certain lands ("**IOC Lands**"). Subject to certain reserve allocations between LIORC and IOC, the sublease provided that, in consideration for the Royalty, IOC had the right to extract all of the iron ore from some of the IOC Lands and two-thirds of the iron ore from certain other of the IOC Lands, while LIORC retained the right to one-third of the iron ore present on or under such other lands. On August 31, 2006, agreement was reached with IOC to simplify the sublease with LIORC granting IOC rights to mine 100% of the ore for the Royalty. The previously excluded Wabush 3 property was included in the sublease in consideration of a 7% royalty on sales of iron ore products derived from that property. Parts of the Knight deposit previously held exclusively by IOC were also included in the sublease and subject to a 7% royalty.

As of September 1, 2006, LIORC and IOC entered into an amended and restated sublease ("**Labrador Sublease**") to amend and restate the original sublease agreement dated February 25, 1953 and 7 amendments dated June 2, 1965, December 31, 1970, June 28, 1974, January 1, 1986, May 25, 1995, June 1, 2000 and August 31, 2006. The Labrador Sublease is a consolidation of the predecessor documents, with deletions of parts that are no longer applicable.

In addition to the Royalty payable to LIORC, IOC is obligated to pay certain amounts to the Government of Newfoundland and Labrador on behalf of LIORC in order to maintain the Labrador Leases, including annual rental payments and a mining tax of 5% of profits as defined in the Labrador Leases. A 20% Government of Newfoundland and Labrador royalty tax, which is deducted at source and remitted by IOC, is also payable pursuant to the *Mining and Mineral Rights Tax Act* (Newfoundland).

IOC's mining operations are conducted on lands governed by four of the 12 leases, which have terms expiring in 2050 and 2052. IOC's proven and probable reserves are located on these four leases. The resources are located on the same four leases plus three additional leases.

The Labrador Sublease has a term equal to the term of each Labrador Lease less one day including any renewal term of such lease. IOC can terminate the Labrador Sublease with respect to all or a portion of the IOC Lands by providing LIORC with seven calendar months' notice. In this event, LIORC has the right to acquire IOC's mining and production facilities at a negotiated or arbitrated price.

As provided in the Labrador Sublease, the Royalty is paid in US dollars quarterly (on a calendar basis in arrears) on April 25, July 25, October 25 and January 25 in each year in amounts equal to 7% of the selling price FOB (i.e. free on board, meaning the buyer is responsible for shipping costs) Sept-Îles, Québec for each iron ore product produced, sold and shipped by IOC during the applicable quarterly period. Some spot sales are on a CFR basis and are adjusted to FOB to calculate the Royalty. Subject to adjustment, the Royalty must be paid in respect of minimum volumes of iron ore. The Labrador Sublease provides for a maximum payment in situations where premium-priced products are developed in the future. If the price of a premium-priced iron ore product exceeds the market price for a similar concentrate or pellet product by 10%, then the Royalty is based on the market price for the similar concentrate or pellet product rather than the market price for the premium-priced iron ore product.

LIORC currently retains all non-iron ore mineral rights with respect to the Labrador Leases. LIORC believes that the exploration potential of such licences and leases for non-iron ore mineralization is not high.

The IOC Equity

IOC is currently owned by three shareholders, including LIORC (directly and through Hollinger-Hanna). The shares of common stock are divided into seven series. Dividends are paid equally in respect of all shares and the shares are in all respects identical to one another. The IOC shareholders and their respective interests in IOC are as follows: Rio Tinto 58.72%, Mitsubishi Corporation 26.18% and LIORC 15.10%.

The declaration of dividends by the directors of IOC is discretionary. In 2023, LIORC received dividends of US$37.8 million or approximately C$50.4 million. In 2022, LIORC received dividends of US$52.1 million or approximately C$69.1 million. In 2021, LIORC received dividends of US$181.2 million or approximately C$227.8 million.

Pursuant to IOC's amended and restated certificate of incorporation, its common shares may be transferred in accordance with certain terms and conditions, which include the requirement that such shares be first offered to the other shareholders of IOC on a pro rata basis. Further, to the extent such shareholders do not acquire the shares offered for sale, then all shareholders must consent to the transfer of the remaining shares to any proposed transferee. All existing shareholders have a pre-emptive right to participate in any issuance of stock of IOC on a pro rata basis.

Hollinger-Hanna

LIORC also owns a 100% interest in Hollinger-Hanna, which holds a 5.54% equity interest in IOC. Hollinger-Hanna was previously involved in marketing iron ore for IOC. In return for relinquishing the right to market IOC's iron ore, Hollinger-Hanna receives the Fee on all iron ore products produced and sold by IOC. The Fee is payable for so long as Hollinger-Hanna is in existence and solvent.

Business Restrictions

LIORC's articles provide that its business is restricted to:

(a) owning, holding, possessing, retaining and managing, directly or indirectly,

  (i) assets, both real and personal, relating to mining and exploration operations as presently conducted, or as may be expanded, on mineral leases and licences held by LIORC from time to time in or near Labrador City, Newfoundland and Labrador and subleased or sublicensed to IOC, and all rights and obligations ancillary thereto;

(ii) the Labrador Sublease and the Royalty;

(iii) securities of IOC and ownership interests in any other entity formed to conduct mining and exploration operations on such leases and licences and/or to process, transport and sell the ore mined pursuant to such operations;

(iv) an equity interest in Hollinger Hanna; and

(b) holding cash and investing in money market debt securities.

LIORC's articles also provide that a resolution passed by a majority of not less than 75% of the votes cast by shareholders, representing in aggregate not less than 10% of the outstanding shares of LIORC, at a meeting of shareholders is required for:

(a) any amendment to the articles of LIORC to change or remove any restriction on the business of LIORC, change the authorized share capital or amend the rights, privileges, restrictions and conditions attaching to LIORC's shares;

(b) any sale, lease or other disposition of, or of any interest in, the Labrador Leases, the Labrador Sublease, the Royalty, the IOC Equity or an equity interest in Hollinger Hanna; provided that no such resolution is required in connection with any grant by LIORC to any financial institution or institutions of any mortgage, charge or other security on such assets as security for credit advanced to LIORC by, or for the payment or performance of any other obligation of LIORC to, such institution or institutions, or for any realization on such assets by such institution or institutions pursuant thereto;

(c) any amalgamation or other merger with any other corporation; or

(d) any issue of shares in the capital of LIORC, except for the issue of shares in accordance with any shareholder rights plan of LIORC then in effect.

Notwithstanding the foregoing and subject to compliance with applicable legal obligations, LIORC is permitted to internally restructure the manner in which it holds its interest in the Labrador Leases, the Labrador Sublease, the Royalty, the IOC Equity and the equity interest in Hollinger Hanna or participate in the restructuring of any such interests, without such shareholder approval.

Employees

LIORC and Hollinger-Hanna have three employees, all of whom are, together with the Chair of the Board, executive officers listed under "Directors and Executive Officers" in this Annual Information Form. The percentage turnover among employees for each of the last three years is 0%.

Information Systems and Cyber Security

LIORC's information systems and cyber security program are designed and developed by management and overseen by the Audit Committee. LIORC uses cloud-based platforms for its accounting system and file storage. The service providers have high security standards including: firewalls, encryption, access, and off-site back-up. LIORC actively seeks to mitigate information systems and cyber security risks by identifying, reviewing and developing risk mitigating and response strategies for such risks. LIORC has never experienced a cyber-related breach. Management reports to the Audit Committee on LIORC's information systems and cyber security program and controls on a quarterly basis as to any deficiencies, information technology breaches or other related matters, as applicable. Board members and senior management are made aware of cyber security training opportunities and are encouraged to participate in such training at least annually.

IRON ORE COMPANY OF CANADA

General

IOC was incorporated under the laws of the State of Delaware on November 18, 1949. IOC commenced production at Labrador City, Newfoundland and Labrador in 1962. IOC produces all of its iron ore from the IOC Lands. Iron ore is used in blast furnaces to produce pig iron or in direct reduction facilities and is subsequently transformed into steel.

All information relating to IOC in this Annual Information Form has been provided by the management of IOC. All financial information for IOC is in US dollars. This Annual Information Form also contains information or data available in the public domain as at March 12, 2024, and none of this information has been independently verified by LIORC. Although LIORC does not have any knowledge that such information may not be accurate, there can be no assurance that such third-party information is complete or accurate.

IOC's principal business is mining the iron ore present on the IOC Lands leased under the Labrador Sublease and operating the associated mining facilities and plants required for the production of iron ore concentrate and pellets. These facilities are located at Labrador City. In normal circumstances, IOC operates its facilities 24 hours a day on a year round basis. Management of IOC has advised that the company has the nominal capacity to process up to 55 million tonnes of crude ore annually. In 2023, a total of approximately 41.5 million tonnes of crude ore was mined from four operating pits. IOC's concentrating plant has a nominal capacity to produce approximately 23.3 million tonnes of iron ore concentrate per year, depending on ore quality, for either direct shipping or as feed to IOC's pellet plant. In 2023, approximately 17.7 million tonnes of concentrate were produced.

Concentrate for sale and pellets are shipped by the Québec North Shore & Labrador Railway Company, Inc. ("**QNS&L**"), a wholly-owned subsidiary of IOC, from IOC's mining facilities in Labrador City, Newfoundland and Labrador to Sept-Îles, Québec where IOC also owns and operates a marine terminal with materials storage and docking facilities. From the Sept-Îles deep water port, IOC's products are shipped to markets throughout the world on a year round basis. IOC's pellet plant has a nominal capacity of roughly 12.5 million tonnes of iron ore pellets per year based on the current product mix. In 2023, IOC produced approximately 8.2 million tonnes of concentrate for sale and approximately 8.3 million tonnes of pellets.

Mineral Reserves and Resources

IOC's active mining operations are conducted in the Labrador City area (the "**Mine**"). IOC has operated the Mine for 62 years. IOC holds its interest in the Mine pursuant to the Labrador Sublease. In 2023 iron ore was extracted from four operating pits. The iron ore deposits in the Labrador City area occur as specular hematite and magnetite, generally in the ratio of 65:35. The mineral reserve and mineral resource deposits, with an average grade of approximately 38% iron, occupy the middle iron unit of the Sokoman formation overlain by waste rock. The deposits are intricately folded and overturned. The iron ore mineral reserve and mineral resource deposits at the Mine are close to the surface thereby facilitating open pit mining.

The total estimated iron ore mineral reserves and resources at the Mine at December 31, 2023, as estimated by IOC, were as follows:

	Tonnes (in millions)	Average Iron Ore Grade (Fe %)
Proven Reserves	357	38
Probable Reserves	651	38
Total Mineral Reserves	1,008	38
Measured Resources	171	41
Indicated Resources	720	39
Total Measured and Indicated Mineral Resources	891	39
Inferred Resources	751	38

Notes:

1. The Mineral Reserve and Mineral Resource estimates were prepared in accordance with the requirements of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code).
2. Mineral Resources exclude Mineral Reserves.
3. Mineral resources are reported on an in-situ basis and mineral reserves are reported on an as-mined (i.e. net of dilution and mining losses) basis. In-situ and as-mined material is reported on a dry basis.
4. Reserves have been estimated by Stéphane Roche who meets the criteria for being a Qualified Person, as defined by National Instrument 43-101 and who is a full-time employee of IOC. Resources have been estimated by Ramsey Way, Mervin McDonald and Beverly Power who meet the criteria for being Qualified Persons, as defined by National Instrument 43-101 and who are all full-time employees of IOC.
5. Reserves comprise all economically viable oxide mineralised material within the Middle Iron Formation of the Sokoman Formation. Limonitically altered material, however, is excluded from Reserves in all deposits except Humphrey Main. For the Humphrey Main deposit, limonitically altered ore is included in Reserves. Resources include limonitically altered material in all deposits. No cut-off grade has been applied within the Middle Iron Formation, since virtually all mineralised material is economically viable (i.e. above ~33% weight yield). Current operating practice at IOC is to process all mineralised material from the Middle Iron Formation. Economic viability of both Mineral Reserves and Mineral Resources is determined using industry standard pit optimization software with projected long-term selling prices and operating costs.
6. Most of the assays and density determinations used in the reserve and resource estimates have been carried out by the IOC laboratory. QA/QC protocols have been in place since 2004. Assay standards are inserted after each 12th sample and duplicate assays are carried out on every 50th sample. A limited number of twinned holes have been compared to validate the assays from holes drilled before the commencement of the QA/QC program. The sampling protocol has been reviewed and the chain of custody of samples has been reviewed on an ad-hoc basis, although this is not part of the routine QA/QC process. Reconciliations of modelled ore tonnes and qualities against measured tonnes and qualities are carried out monthly, to validate the reserve models.
7. Numbers presented may not add up precisely to the totals provided due to rounding.

Mineral Reserves decreased by 68 million tonnes in 2023. This comprised:

i. a 44 million tonne decrease due to 2023 mine production;

ii. a 26 million tonne increase due to geological model changes; and

iii. a 50 million tonne decrease due to pit design changes.

Measured and Indicated Mineral Resources increased by 35 million tonnes. This comprised:

i. a 6 million tonne decrease due to 2023 mine production of limonitic ore, which is reported in Resources, rather than Reserves;

ii. a 28 million tonne increase, due to geological model changes. Most of this was upgraded from inferred resource, due to in-fill drilling;

iii. a 52 million tonne increase, due to transfer from reserves to resources (due to new pit designs); and

iv. a 39 million tonne decrease due to economic changes (higher costs).

Inferred Mineral Resources decreased by 60 million tonnes. This comprised:

i. a 33 million tonne decrease, due to geological model changes resulting from in-fill drilling. Most of this was upgraded to measured / indicated resource; and

ii. a 27 million tonne decrease, due to economic changes (higher costs).

The estimated Proven and Probable Reserves of crude iron ore located on IOC Lands are approximately 1,000 million tonnes which will produce approximately 400 million tonnes of saleable product (pellets and concentrate). At the planned processing rate, the estimated Proven and Probable Reserves of crude iron ore are equivalent to approximately 21 years production. The annual stripping ratio for IOC's reserves generally ranges between 0.3 and 1.6 tonnes of waste per tonne of ore, with an average of 1.14. In addition to the Proven and Probable Reserves, there are also estimated Measured and Indicated Resources of 900 million tonnes and a further 800 million tonnes of Inferred Resources.

Mine

Mining is carried out using open pit techniques, which involve the drilling, blasting and hauling of waste rock and ore. Broken ore is loaded by electric shovels and transported by truck to either the Automatic Train Operation (ATO) or the Parallel Ore Delivery System (PODS). The ATO system consists of four underground loading pockets where the as-mined ore is transferred from mine haul trucks to unmanned automatic trains. The automatic trains carry broken ore from the loading pockets to a crusher located adjacent to IOC's processing facilities, a distance of between 8 and 12 kilometres from the loading pockets. The PODS consists of a gyratory crusher located adjacent to the Luce Pit and an overland conveyor. The conveyor carries crushed ore a distance of 6 kilometres to the concentrator. Given current downstream constraints, the mine and the automatic train and conveyor have a nominal capacity to deliver up to 55 million tonnes per annum of ore to the concentrator. This number would be slightly higher without existing capacity constraints at the concentrator.

Concentrator

IOC employs an entirely mechanical process to separate the ore from the waste rock. In order to extract the iron ore from the associated rock and silica gangue, the crushed ore is ground to a size of approximately one millimetre at which point it is liberated from the associated undesirable minerals. The grinding is currently done in four wet mills.

Ground ore is then concentrated in the spiral plant using gravity spirals to increase the iron content from approximately 37-38% to 65-66%. The spirals utilize the forces of gravity and centrifugal force to separate the heavier iron ore grains from the lighter waste rock particles. The ground ore slurry must pass through three successive stages of spiralling (including rougher, cleaner and recleaner) before the concentrate is of sufficient grade and can be conveyed to a stockpile for direct shipping or used as feed for the pelletizing plant. A magnetic separation plant extracts magnetite from the spiral plant's tailings, while a hematite recovery plant recovers fine particles of hematite from the tailings of the magnetic separation plant.

In 2023, concentrate production was approximately 17.7 million tonnes. The ratio of tonnes of iron ore concentrate produced to the total tonnes of crude ore fed into the concentrator (the iron ore weight yield) was 41.3%.

IOC's nominal concentrate production capacity is approximately 23.3 million tonnes per year, subject to ore quality.

In 2023, 46.1% of IOC's concentrate production was allocated to concentrate for sale while the remaining production was converted into pellets at IOC's pelletizing plant before sale. IOC's production of concentrate for sale and pellets is sold to steel manufacturers. IOC seeks to maximise margins by optimising its product offerings of concentrate for sale and pellets according to changing market pricing.

Pellet Plant

In order for iron ore concentrate to be used in a blast furnace, it must first be converted into either sinter, which is typically produced on-site at the steel making facilities, or converted into iron ore pellets at a pelletizing plant, such as the one at IOC's production facilities in Labrador City. The pellets can then be charged directly into a blast furnace.

Iron ore concentrate is received from the concentrating operations where it is re-ground in one of 13 ball mills. The re-ground concentrate is mixed with the finer magnetic portion and optionally processed via a flotation plant for further silica reduction. Varying amounts of coke breeze and dolomite and/or limestone fluxes are added depending on the pellet type. The mixture is then filtered and mixed with bentonite (which acts as a binding agent) and converted into 9.5 mm to 16.0 mm diameter "green balls". Iron ore pellets are then produced in one of six travelling grate furnaces. The iron ore pellets are shipped via rail to the shipping terminal facilities in Sept-Îles.

A flotation plant was originally installed to allow IOC to produce lower silica direct reduction pellets that contain less than 2% silica for use in DRI (direct reduced iron) and HBI (hot briquetted iron) plants which produce concentrated iron feed material primarily for electric arc furnaces. However, the plant is currently also being used to produce lower silica pellets for certain blast furnace customers.

IOC's Carol Lake pellet plant has the nominal capacity to produce 12.5 million tonnes per year at the current product mix, with actual capacity varying somewhat with the product mix. The plant produces four primary products: standard and low silica acid pellets, low silica flux pellets and direct reduction pellets, with a silica content of 1.2 to 4.75%. In 2023, 8.3 million tonnes of pellets were produced.

Production

The production at IOC for the past five years was as follows:

	Years Ended December 31				
	2023	2022	2021	2020	2019
	(million tonnes)				
Total Feed Concentrate[(1)]	17.7	19.1	17.9	18.7	19.0
Pellets	8.3	9.6	10.0	9.6	10.1
Concentrate for Sale	8.2	7.9	6.6	8.1	7.9

Note:

1. The total volume of pellets and concentrate for sale does not equal the total feed concentrate due to changes in inventory and losses of material in the pelletizing operations.

Cost of Goods Sold, Excluding Depreciation

Components of cost of goods sold, excluding depreciation, were as follows:

	Years Ended December 31				
	2023	2022	2021	2020	2019
	(US$ millions)				
Mining costs	354.2	347.4	316.5	267.6	308.7
Processing costs for concentrate and pellets	441.4	455.9	418.7	354.7	373.5
Other operating costs	455.8	422.3	369.3	281.8	275.5
Changes in inventory	(48.9)	(99.5)	5.0	62.3	(57.4)
Cost of goods sold, exclusive of depreciation[(1)]	1,202.2	1,126.1	1,109.6	966.3	900.3
US$ per tonne sold	73.75	69.25	65.27	51.95	52.34

Note:

1. Cost of goods sold, exclusive of depreciation, generally consists of mining costs, the processing costs for concentrate and pellets and other operating costs, including hauling and handling expenses.

Employees

The numbers of employees of IOC for the past five years on a full time equivalent basis were as follows:

	Years Ended December 31				
	2023	2022	2021	2020	2019
Number of employees	2,989	2,899	2,754	2,620	2,502

IOC's hourly employees are represented by three unions. At December 31, 2023, the United Steelworkers (USW) represented approximately 1,581 employees at Labrador City and 387 at Sept-Îles, the United Transportation Union (UTU) represented approximately 105 employees mostly based at Sept-Îles and the Marine Guild represented 4 employees at Sept-Îles. A five year collective agreement with the USW came into effect as of March 1, 2023 and will remain in effect until February 28, 2028. The agreement with the UTU came into effect on March 1, 2019 and was in effect until February 29, 2024. Negotiations began in January 2024 and together, IOC and UTU representatives are working on an agreement. The agreement with the Marine Guild came into effect on September 1, 2019 and will remain in effect until August 31, 2024.

Marketing and Sales

General

IOC is one of Canada's leading iron ore producers and a global supplier of iron ore pellets and concentrate. IOC enters into long-term contracts with most customers. Until October 2018, Rio Tinto Canada (Management) Inc. ("**RTCMI**"), a wholly-owned subsidiary of Rio Tinto plc, acted as IOC's sole and exclusive agent for the marketing and sales of iron ore products made available for sale by IOC. In consideration for its services, RTCMI was entitled to receive a marketing fee from IOC based on a percentage of the price of the products sold. In November 2018, IOC entered into a sales and distribution agreement with IOC Sales Limited ("**IOC Sales**"), a wholly-owned subsidiary of Rio Tinto plc, under which IOC Sales purchases iron ore products from IOC at a discount and resells the products to end customers based on pricing agreed upon within the respective supply agreements. In addition to third party sales, IOC Sales sells limited quantities of concentrate to Rio Tinto's port-side trading operations in China, where they are blended with Rio Tinto's SP10 from Western Australia to form Rio Tinto Blend Fines. These sales are made on arm's length commercial terms and provide IOC with additional demand for its product.

Iron Ore Products

IOC's primary products include standard and low silica acid pellets, flux pellets, direct reduction pellets and iron ore concentrate for sale. Acid pellets can be charged directly into blast furnaces without further processing. Flux pellets are similar to acid pellets, with the exception that more dolomite and/or limestone is added to the pellets before pelletization to improve metallurgical properties and increase the efficiency of the operation of a blast furnace.

Iron ore concentrate for sale must be agglomerated, typically at the sinter plants, before being charged into the furnaces. This is mainly because of the permeability requirement of the blast furnaces. There is considerable variation in the burden mix (proportion of iron ore lump, pellets and sinter) applied to blast furnaces worldwide. Typical blast furnace burden mix in North America shows 90-100% pellets while the rest of the world uses sinter as a dominant burden charge.

Direct reduction pellets with lower silica content are used in the direct reduction processes to produce sponge iron which is an alternative process route, as an initial stage from iron to steel. The direct reduction process is primarily based on the use of natural gas and has become increasingly common in countries with access to inexpensive natural gas.

IOC's concentrate and pellets are high quality products with chemistry which helps steel producers lower the carbon footprint compared to lower quality grades and forms of iron ore. IOC's direct reduction pellets have an added and significant carbon footprint reduction benefit being processed in lower emission direct reduced iron (DRI) and fuel arc furnaces (FAF) for steel production versus traditional blast and basic oxygen furnaces. Iron ore concentrate for sale typically has high iron content (65-66%) with very low phosphorus and low alumina. Pellets typically have high iron content (65% to 67.5%), very low phosphorus and low sulphur, alumina and alkalis.

Sales Volumes, Prices and Revenues

Sales volumes for 2023, as reported for the Royalty, remained at approximately the same level as 2022, with pellet sales decreasing by 9% and concentrate for sale increasing by 11%.

The Platts index for 62% Fe iron ore CFR China ("**62% Fe index**") averaged US$119.9 per tonne in 2023 compared to US$120.0 per tonne in 2022. The 62% Fe index prices moved from a monthly average of US$123.4 per tonne in January 2023, peaked at US$141.5 per tonne in December 2023, and then stabilized at US$140.5 per tonne at year end. IOC sells concentrate as well as some pellets based on the 65% Fe index price; this price averaged US$132 per tonne in 2023 compared to US$139 per tonne in 2022.

The iron ore prices decreased in 2023, predominantly as a result of lower global steel production, and continuing concerns over China's economy and its property sector, in particular. The monthly Platts pellet premium averaged US$45 per tonne in 2023 down 38% from 2022. Sales to North America and Europe represented approximately 56% of IOC's pellet and concentrate shipments in 2023. The remainder of IOC sales were predominantly to Asia/Pacific.

The table below shows IOC's ore sales volumes along with revenues and average realized prices (in US$/tonne) for IOC's products over the past five years[(1)].

	Years Ended December 31				
	2023	2022	2021	2020	2019
			(US$ millions)		
IOC Ore Sales Revenue[2]	2,097	2,449	3,141	2,182	1,924
			(million tonnes)		
IOC Ore Sales Volume					
Pellets	8.4	9.2	10.0	10.2	9.6
Concentrate for sale	7.9	7.1	7.0	8.4	7.6
Total	16.3	16.3	17.0	18.6	17.2
			(US$/tonne)		
Average Realized Price	129	150	185	117	112

Notes:

1. Data for ore sales revenue, ore sales volume and realized price do not take into account third party ore sales.
2. 2022 and 2023 Ore Sales Revenue is presented on a net basis (net of related freight costs) to align with IFRS financial statements presentation.

Selected IOC Financial Information

Balance Sheet Data

The following table shows selected financial information for IOC.

	Years Ended December 31				
	2023	2022	2021[(2)]	2020	2019
			(US$ millions)		
Cash and cash equivalents[(1)]	206.2	234.5	180.3	233.2	312.6
Working capital	345.8	274.7	20.6	184.6	52.0
Total assets	3,849.7	3,549.5	3,341.0	3,118.8	2,912.6
Total debt	0.0	0.0	0.0	0.0	0.0

Notes:

1. Includes term deposits with the Rio Tinto Group.
2. Commencing in 2021, IOC does not consolidate IOC Sales in its financial statements.

Cash Flow Data

The following table shows cash flow data for IOC.

	Years Ended December 31				
	2023	2022	2021	2020	2019
			(US$ millions)		
Cash flows provided by operating activities	583.3	785.1	1,560.0	732.7	981.6
Capital expenditures	361.9	370.7	373.8	229.1	212.3
Dividends paid[1]	250.0	345.0	1,200.0	450.0	550.0

Note:

1. Dividends paid exclude $34 million and $18 million of dividends paid by IOC Sales to Rio Tinto in 2022 and 2020 respectively.

Québec North Shore & Labrador Railway

IOC's wholly-owned subsidiary, QNS&L, is subject to the jurisdiction of the Canadian Transportation Agency. QNS&L hauls IOC's products 418 kilometres from IOC's mining and production operations in Labrador City to its marine terminal and materials handling facility in Sept-Îles, Québec.

Due to the severity of the winters, maintenance of the track (and associated sidings) including two tunnels, seven steel bridges and numerous culvert pipe installations, is done during an eight month period (from April to November).

QNS&L has capacity to haul 46 million tonnes per annum. It currently operates up to six iron ore trains of 240 cars to transport IOC's iron ore products from Labrador City to Sept-Îles. It also operates an additional nine trains to transport iron ore products from Labrador City and Schefferville to Sept-Îles on behalf of third parties. Each train is generally 160 or 240 cars in length and each car is capable of carrying between 95 and 100 tonnes of iron ore. The round trip for IOC trains takes an average of 60 hours, including time for loading and unloading. All train movements are controlled by a centralized traffic control system and each ore train is run by a one person crew.

In addition to hauling IOC's iron ore production, in 2023 QNS&L also hauled iron ore production from Champion Iron Limited, Tacora Resources Inc. and Tata Steel Minerals Canada Ltd.

Sept-Îles Terminal

The marine terminal in Sept-Îles uses a highly mechanized system to receive and stockpile iron ore concentrate for sale and pellets from Labrador City for eventual loading into ships.

Trains with iron ore concentrate for sale and pellets from Labrador City arrive at the dumper where the contents are automatically dumped, weighed and transported to stockpiles from which they are reclaimed for loading onto ships. Current capacity of the dumping system is 20.6 million tonnes per annum. IOC plans on upgrading the ore car dumper system during 2024, which will initially increase dumping capacity to 22.7 million tonnes per year, as well as providing optionality for further growth as other bottlenecks are separately upgraded.

The stockpile yard is situated on 1,150 hectares of land and has the capacity to store 4.5 million tonnes of iron ore products. The stockpiling of product is handled by two travelling stackers which are fed by a conveyor system. During shiploading, product is transported from the stockpile yard to ships using two bucketwheel reclaimers. Product is reclaimed from stockpiles and transported by conveyor to the docks where two travelling shiploaders transfer the iron ore product onto the docked freighters. As a result of the other current capacity restrictions, including the dumping system, the overall capacity of the shiploading system is currently 20.9 million tonnes per annum.

The Sept-Îles terminal, operating year-round, can handle both lake and ocean-going vessels with a capacity of between 25,000 and 255,000 tonnes.

Environment and Sustainability

LIORC is an investment company, whose investments all relate to IOC and consist of a 15.1% equity interest in IOC, and a 7% gross overriding royalty on all iron ore product produced, sold and shipped by IOC and a 10 cent per tonne commission on all iron ore products produced and sold by IOC. LIORC does not control or operate IOC. However, LIORC is indirectly exposed to environmental, social and other risks arising from IOC's operations.

LIORC is committed to the protection of life, health and the environment for present and future generations. Independent oversight of environment and sustainability matters is the responsibility of the Audit Committee. LIORC has an Environment and Sustainability Policy which sets out LIORC's commitments with respect to the environment and sustainability related to its small direct impact on the environment through its 355 square feet of office space shared by its three employees and the Chair of the Board (LIORC's four executive officers). All four individuals engage in flexible work arrangements and regularly work from home. The policy also sets out LIORC's due diligence and oversight of its IOC investments with respect to environmental and social risks. LIORC has had no workplace injuries or fatalities. A copy of the Environment and Sustainability Policy is available on LIORC's website at www.labradorironore.com.

LIORC is not subject to the reporting obligations under Bill S-211, *An Act to enact the Fighting Against Forced Child Labour in Supply Chains Act and to amend the Customs Tariff* (the Modern Slavery Act), which received royal assent on May 11, 2023 and came into force on January 1, 2024. IOC is controlled and operated by Rio Tinto, one of the largest diversified mining operators in the world. Because LIORC has no financial or operational control over IOC, LIORC relies on IOC management and Rio Tinto to operate the mining operations in accordance with appropriate standards regarding social, health, safety, environment, and community relations, including with respect to forced labour and child labour.

IOC's All Injury Frequency Rate decreased from 0.50 in 2022 to 0.34 in 2023. Safety is the first priority and IOC is taking special measures to improve safety performance.

In 2023, IOC emitted 895,954 tonnes of CO2e (Scope 1 and 2). Rio Tinto is committed to reaching net zero emissions by 2050 and is targeting to reduce its Scope 1 and 2 carbon emissions by 50% by 2030 and a 15% reduction in emissions by 2025 (from a 2018 equity baseline).[1] Approximately 70% of IOC's current GHG emissions come from pelletizing. In 2023, Rio Tinto implemented development and testing projects for electrification to reduce pelletizing emissions at IOC's operations. These initiatives range from testing plasma torch technology in induration furnaces to installing state-of-the-art electric boilers and exploring the adoption of biocarbon and pyrolytic oil as new sources of heat.[2]

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. Rio Tinto leverages high-grade iron ore from IOC to help accelerate the proliferation of shaft furnace, direct reduced iron (DRI), which is the only economic low CO_2 ironmaking route available today, and is also working to secure offtakes of low-carbon hot briquetted iron (HBI) as a way of better understanding the emerging low-carbon iron and steel market while lowering Scope 3 emissions. Rio Tinto states that in 2024 it will progress with the installation of an electric boiler at IOC and research and development analysis for biofuel and coke alternatives for iron pelletization at IOC.[3]

LIORC undertakes a number of ongoing activities with respect to IOC to ensure that IOC is appropriately managing its environmental and social risks in order to minimize LIORC's indirect exposure to those risks, including the following:

- As a subsidiary of Rio Tinto, IOC is subject to all of Rio Tinto's policies and procedures to deal with environmental, social and sustainability matters. Rio Tinto's website has reports and further information on sustainability, environmental and social issues including an annual Sustainability Fact Book and a Climate Change Report prepared in line with recommendations from the Task Force on Climate-related Financial Disclosures. LIORC monitors and reviews all such policies and reports on at least an annual basis.

- IOC's website provides information on IOC's performance in areas related to social, health, safety, environment, community relations and Indigenous participation, as well as its annual Sustainable Development Report. The report outlines IOC's comprehensive program directed at achieving environmental protection within the governing framework of sustainable development. LIORC monitors and reviews the website and reports on at least an annual basis.

- LIORC receives monthly shareholder reports from IOC, which include monthly health and safety information. Also, LIORC management has regular and ongoing dialogue with IOC management and visits the IOC facilities at least annually. These reports and interactions allow LIORC to have a deep understanding of IOC's operations.

- LIORC has two nominees on the IOC board of directors. This allows LIORC to have further insight into IOC's environmental and social matters and update the LIORC board as required. LIORC is committed to supporting IOC in their efforts to improve their environmental and social policies and performance, and having IOC board representation

[1] Source: Rio Tinto Climate Change Report 2023.

[2] Source: Rio Tinto Climate Change Report 2023.

[3] Source: Rio Tinto Climate Change Report 2023.

provides LIORC with the opportunity to encourage IOC to continue to implement best practices.

- LIORC reviews and monitors IOC's tailings management. As a subsidiary of Rio Tinto, IOC is subject to Rio Tinto's policies and procedures as they relate to tailings facilities. Rio Tinto is committed to being transparent with its stakeholders about its tailings facilities and how they manage them, including their employees, the communities they operate in, governments and regulators, partners and non-governmental organizations. IOC has a long-term tailings management plan and has developed wetlands on the existing tailings landform. Specific information on IOC's tailings facilities can be found on Rio Tinto's website.

- LIORC monitors external reports, including media reports related to environmental and social related programs at IOC and Rio Tinto in order to identify environmental or social issues or risks.

- LIORC receives an annual confirmation from the Chief Executive Officer of IOC that IOC complies with legal and regulatory requirements in the provinces it operates.

Other Policies and Codes

In addition to the Environment and Sustainability Policy, LIORC also maintains the following policies and codes:

- Code of Conduct that covers a wide range of ethical business practices and procedures including conflicts of interest, fair dealing, bribery and corruption.

- Whistleblower Policy to encourage and enable LIORC's people to raise serious concerns regarding any breach of law, rule or regulation or violation of any of its policies.

- Health and Safety Policy that applies to directors and officers which requires compliance with applicable legal and regulatory health and safety requirements.

- Discrimination, Harassment and Equal Opportunity Policy that provides a procedure in the event of an incident of discrimination, harassment or violence including who to contact within LIORC.

- Diversity and Inclusion Policy that sets out LIORC's commitments with respect to diversity and inclusion.

- Human Rights Policy that provides principles and commitments concerning human rights and applies to LIORC directors and officers.

- Supplier Code of Conduct that sets out expectations that suppliers comply with the code and operate in accordance with values comparable to LIORC's values, and in a manner which is consistent with prudent business practices.

Copies of all of the foregoing policies and codes are available on LIORC's website at www.labradorironore.com.

CAPITAL STRUCTURE

Common Shares

LIORC has 64 million common shares outstanding which trade on the TSX under the symbol LIF. Holders of common shares of LIORC are entitled to receive notice of and to attend all meetings of shareholders of LIORC and to one vote per common share at such meetings. Holders of common shares are entitled to receive rateably any dividends declared by LIORC's board of directors on the common shares, and are entitled to participate rateably in any distribution to the shareholders of LIORC upon a liquidation, dissolution or winding-up. There are no pre-emptive, conversion or redemption rights attached to the common shares.

DIVIDENDS

Currently, quarterly dividends on common shares are payable to shareholders of record on the last business day of each calendar quarter and paid on or after the 26th day of the following month.

The total aggregate dividends declared in 2023 were $2.55 per common share, in 2022 were $3.10 per common share and in 2021 were $6.00 per common share.

MARKET FOR COMMON SHARES

The common shares are listed for trading on the Toronto Stock Exchange under the symbol LIF. The monthly price ranges and trading volumes for common shares from January to December, 2023 were as follows:

2023	Price Range	Trading Volume
January	$39.45 - $33.35	8,395,300
February	$39.59 - $34.58	3,592,400
March	$38.76 - $30.52	9,737,800
April	$32.77 - $30.38	6,379,800
May	$31.09 - $27.04	4,975,900
June	$33.38 - $29.79	4,810,800
July	$32.03 - $30.01	4,789,500
August	$31.82 - $29.24	3,045,200
September	$34.18 - $30.67	3,687,900
October	$32.27 - $29.74	3,899,000
November	$32.22 - $29.97	2,357,900
December	$33.19 - $30.80	2,780,400

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the common shares is Computershare Investor Services Inc., 100 University Avenue, Toronto, Ontario M5J 2Y1.

DIRECTORS AND EXECUTIVE OFFICERS

The directors and executive officers of LIORC are set out below. The directors hold office until the next annual meeting of LIORC or until their successors are elected or appointed.

Name and Residence	Office(s) Held	Principal Occupation	Director Since
Mark J. Fuller[(1)(2)] Ontario, Canada	Lead Director and Chair of Governance and Human Resources Committee	President and CEO of Ontario Pension Board, the administrator of the Ontario Public Service Pension Plan	2014
Douglas F. McCutcheon[(1)(2)] Ontario, Canada	Director	President of Longview Asset Management Ltd., an investment firm	2020
William H. McNeil Ontario, Canada	Chair of the Board and Director	Chair of the Board of LIORC and Company Director	2015
Dorothea E. Mell[(1)(2)] Ontario, Canada	Director	Company Director	2020
Sandra L. Rosch Ontario, Canada	Executive Vice President and Director	Executive Vice President of LIORC	2014
John F. Tuer Ontario, Canada	President, CEO and Director	President and CEO of LIORC	2017
Patricia M. Volker[(1)(2)] Ontario, Canada	Director and Chair of the Audit Committee	Company Director	2014
Alan R. Thomas Ontario, Canada	CFO	CFO of LIORC	

1. Member of Audit Committee
2. Member of Governance and Human Resources Committee

As at December 31, 2023, directors and executive officers of LIORC collectively beneficially owned, directly or indirectly, or exercised control and direction over 50,200 common shares, representing approximately 0.1% of the outstanding common shares.

The directors of LIORC are also directors and officers of Hollinger-Hanna. Mr. Tuer and Mr. McNeil serve as directors of IOC.

Audit Committee

The charter of the Audit Committee is attached hereto as Schedule 1.

The members of the Audit Committee are Mark J. Fuller, Douglas F. McCutcheon, Dorothea E. Mell and Patricia M. Volker (Chair). Ms. Volker is a “financial expert” within the meaning of the U.S. Sarbanes-Oxley Act of 2002, as amended. All of the members are independent and financially literate. Mr. Fuller has 20 years of experience in pension fund management. Mr. McCutcheon has over 35 years of experience in investment management and investment banking. Ms. Mell has over 25 years of experience in the investment industry. Ms. Volker is a CPA, CA and CMA, with over 30 years of experience in the public accounting industry.

External Auditor Service Fees

Audit Fees. The aggregate fees billed by LIORC's external auditor for audit services, including the review of interim financial statements were $105,000 in 2023 and $100,000 in 2022.

Tax Fees. An aggregate of $7,500 was billed by LIORC's external auditor for 2023 tax review and advice relating to the preparation of an information return in 2023.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into the ordinary course of business, which have been entered into by LIORC within the last financial year, or were entered into before the last financial year and are still in effect:

- the Labrador Leases;
- the Labrador Sublease;
- an amended and restated shareholder rights plan agreement (the "**Rights Plan**") dated May 2, 2018 between LIORC and Computershare Investor Services Inc., as rights agent. At the close of business on April 18, 2018, one right (a "**Right**") was issued and attached to each common share outstanding, and will be issued and attached to each common share issued thereafter. The Rights Plan is similar to many other rights plans adopted by Canadian public issuers. Subject to the terms of the Rights Plan and to certain exceptions provided therein, the Rights will become exercisable (other than by an acquiring person or its joint actors) to acquire common shares at a substantial discount to market value in the event any person, together with joint actors, acquires or announces its intention to acquire 20% or more of LIORC's outstanding common shares without complying with the "Permitted Bid" provisions of the Rights Plan or without the Rights Plan being waived in accordance with its terms; and
- an administration agreement (the "**Administration Agreement**") made as of the 31st day of December, 2022 between LIORC and Lextorch CPA Professional Corporation (the "**Administrator**") and amended on February 28, 2024. Pursuant to the Administration Agreement, the Administrator acts as administrator for LIORC and its subsidiary, Hollinger-Hanna, for an aggregate annual fee of $256,600 ($247,200 in 2023) plus applicable taxes and such other amounts as the board of directors of LIORC may from time to time determine in its sole discretion based on the quality and quantity of the services performed by the Administrator. The Administrator has agreed to provide normal administrative functions required to support LIORC and Hollinger-Hanna. The term of the Administration Agreement expires on December 31, 2024, subject to earlier termination by either party on 90 days' written notice for any reason or forthwith on written notice in the event of certain insolvency events, a breach that remains uncured for 30 days or the professional personnel providing the services ceasing to be actively employed by the Administrator. If the Administration Agreement is terminated for convenience within 12 months following the date of a change of control, then LIORC must pay an amount equal to $513,200 ($494,400 in 2023) to the Administrator. In addition, LIORC has agreed to reimburse the Administrator for its reasonable and documented out-of-pocket expenses and to indemnify the Administrator from certain losses arising from the Administration Agreement.

A copy of each document entered into on or after January 1, 2003 has been filed on SEDAR+ and is available at www.sedarplus.ca.

EXPERTS

The auditor of LIORC is KPMG LLP, which has prepared the independent auditors' report in respect of the audited annual consolidated financial statements of LIORC. KPMG LLP is independent with respect to LIORC within the meaning of the Rules of Professional Conduct/Code of Ethics of the Chartered Professional Accountants of Ontario.

RISK FACTORS

Investors should carefully consider all of the information disclosed in this Annual Information Form. In addition to the other information presented in this Annual Information Form, the following risk factors should be given special consideration.

Iron Ore Price and Volume Volatility

Royalty payments to LIORC and IOC's earnings are directly related to the volume of iron ore products sold and the price of iron ore products. Demand and prices for iron ore products fluctuate and are affected by numerous factors beyond the control of LIORC and IOC, including demand for steel, the strength of the US dollar, global and regional demand and production, political and economic conditions and production costs in major producing regions. The effect of these factors is impossible for LIORC to predict. If the market price for iron ore products should fall below IOC's production cost and remain there for a prolonged period, IOC would experience losses and could decide to discontinue or curtail its operations, thereby eliminating or reducing LIORC's revenue from receipt of the Royalty and dividend payments on the IOC Equity.

Dependence Upon IOC

LIORC's business is restricted by its articles of incorporation to owning, holding, possessing, retaining and managing assets relating to IOC, including the Labrador Leases, the Labrador Sublease, the Royalty and the IOC Equity. Royalty revenue is earned only when IOC mines and sells iron ore from the IOC Lands. The interests of IOC and LIORC may not always be aligned. A decision by IOC to cease or curtail operations or to mine iron ore from lands other than IOC Lands would eliminate or reduce LIORC's revenue from receipt of the Royalty and dividend payments on the IOC Equity. Dividend income from the IOC Equity is also dependent upon IOC's earnings and its dividend policy. LIORC also reports equity earnings or losses in IOC and, accordingly, is dependent upon the revenue, expenses and net income of IOC. IOC is controlled and managed by Rio Tinto, and as such LIORC's influence and control over key aspects of IOC's operations is limited. Decisions made by Rio Tinto may adversely affect LIORC's revenue from receipt of the Royalty and dividend payments on the IOC Equity.

Dependence on the Steel Industry

Steel is a key driver of the world's economy, supplying the core automotive, construction, infrastructure projects, transport, power and machine goods industries. The global steel manufacturing industry has historically been subject to fluctuations based on factors, including general economic conditions and interest rates. The demand for iron ore is almost entirely dependent upon the raw material requirements of integrated steel producers and direct reduced iron/hot-briquetted iron producers of concentrated iron feed to electric arc furnaces. Developments in China and Chinese government policy impact growth levels in the Chinese economy and continue to be key to the short term demand for steel and therefore iron ore. Global steel production capacity exceeds global demand for steel and the steel industry is highly fragmented and regionalized. This industry structure will keep pressure on steel prices. National and corporate behaviours relating to production levels, that is whether to produce or seek to manage output depending on steel demand, will be key to developments in steel pricing. Materials such as aluminum, composites and plastics are substitutes for steel and an increase in their use could adversely affect the demand for steel and, consequently, the demand for iron ore. Any decrease in economic growth or steel consumption could have an adverse effect on the demand for iron ore leading to lower prices and adversely affecting IOC's revenues, earnings and cash flow thereby reducing LIORC's revenue from receipt of the Royalty and dividend income on the IOC Equity.

Exchange Rates

While iron ore prices are denominated in US dollars, a majority of IOC's production and operating costs are Canadian dollar based. Accordingly, appreciation of the Canadian dollar against the US dollar, without offsetting improvement in US dollar-denominated iron ore prices, could adversely affect IOC's earnings and cash flow. Additionally, LIORC's revenue from the receipt of the Royalty and dividend payments on the IOC Equity are paid in US dollars which LIORC converts to Canadian dollars. A significant appreciation of the Canadian dollar against the US dollar could materially reduce the amount of Canadian dollar revenue, earnings and cash flow available for distribution to LIORC's shareholders.

Mining Risks and Insurance

The mining operations of IOC are subject to risks normally encountered in the mining business. Such risks include (i) environmental hazards, (ii) industrial accidents, (iii) failures of critical infrastructure, equipment and information technology and telecommunications systems, (iv) availability and price of other commodities and supplies (including energy) (v) labour disputes, (vi) the availability of skilled labour, (vii) unusual or unexpected geological formations or conditions, (viii) pit wall slides, (ix) flooding, (x) wildfires, and (xi) periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mines, production facilities or transportation systems, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability. IOC maintains insurance coverage consistent with industry practice. However, no assurance can be given that such insurance will continue to be available at acceptable premiums. Insurance against environmental risks is not generally available to IOC or to other companies within the industry. LIORC does not maintain separate insurance coverage. Should IOC be unable to pay the cost of remedying an environmental problem, IOC could be required to enter into interim compliance measures or to suspend operations. Any disruption in operations could prevent IOC from earning revenue, earnings and cash flow and have a negative impact on LIORC's revenue from the Royalty and dividend payments on the IOC Equity.

Natural Disasters and Severe Weather Conditions

IOC's operations can be affected by natural disasters and severe weather conditions, in particular due to the long supply chain for its operations and because its operations are situated in Newfoundland and Labrador and the Québec North Shore, which have extremely cold climates throughout much of the year. Extreme weather events, including but not limited to snowfall, cold weather, surface flooding, landslides, forest fires or other emergencies have the potential to disrupt IOC's operations, in particular, its railway, port and power infrastructure, including locomotives, rail cars, car dumper, rail system and power lines. Climate change may result in an increase in extreme weather events affecting these operations. Interruptions in production capabilities due to inclement weather will increase production costs and reduce IOC's profitability. Re-start production costs can be even higher if undertaken during extremely cold weather conditions. The occurrence of these events could reduce LIORC's revenue from the receipt of the Royalty and dividend payments on the IOC Equity.

Information Technology and Cyber Security

LIORC and IOC's operations depend, in part, on their software, networks and information technology systems and how well these systems are protected against damage from a number of threats, including viruses, security breaches and cyber-attacks. These systems, and those of third-party service providers and the counterparties under LIORC and IOC's material contracts may be vulnerable to an increasing number of continually evolving cyber security risks. Cyber security threats include attempts to gain unauthorized access to data or automated network systems and the manipulation or improper use of information technology systems. A failure of any part of LIORC or IOC's information technology systems could, depending on the nature of such failure, cause the compromising of confidential information or corruption of data and cause production interruptions and operational delays for IOC. Information technology systems failures could adversely affect the effectiveness of internal controls over financial reporting. A failure could materially adversely impact LIORC's reputation, financial condition and results of operations. Although to date neither LIORC nor IOC has experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that they will not incur such losses in the future. The risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, LIORC and IOC may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any system vulnerabilities.

Global and Local Market Conditions

IOC is subject to the risks arising from adverse changes in domestic and global economic and political conditions. This can include political risk such as policy changes, tariffs or other controls in large economies that might affect global and local market conditions. Demand for iron ore products is cyclical and generally correlates to global macroeconomic fluctuations. Macroeconomic factors, particularly in countries and regions that are significant producers or consumers of steel and iron ore, can affect iron ore prices and materially affect IOC's financial performance. There are significant identified risks to the global macroeconomic outlook including, among others, geopolitical tensions; threats to globalization by renewed protectionism; high levels of global private sector and public sector debt; underfunded pension obligations; and slowing growth in many countries, in particular the slowing of Chinese economic growth. A materialization of these risks or an unforeseen macroeconomic risk could depress demand for, and therefore the price of, iron ore. This could reduce LIORC's revenue from the receipt of the Royalty and dividend payments on the IOC Equity.

Public Health Crises

IOC's business, operations and financial condition could be materially and adversely affected by the outbreak of epidemics or pandemics or other health crises, including COVID-19. Such public health crises can result in volatility and disruptions in the supply and demand for iron ore, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation. The risks to IOC of such public health crises also include risks to employee health and safety, a slowdown or temporary suspension of operations, increased labour and fuel costs, regulatory changes, political or economic instabilities or civil unrest. Similarly, the ability of IOC's vendors, suppliers, consultants and partners to meet their obligations to IOC may be impacted as a result of the COVID-19 outbreak and efforts to contain the virus.

Government Regulation

IOC operates in a highly regulated environment and new laws or regulations, or changes in existing laws or regulations (including tax laws), or the manner of their interpretation or enforcement, could increase IOC's cost of doing business and restrict its ability to operate its business or execute its strategies. IOC is subject to various federal, provincial and local laws and regulations, including for human health and safety, air quality, water pollution, reclamation and restoration of mining properties and discharge of materials into the environment. In addition, IOC requires numerous government permits, licenses and leases to conduct its mining operations. If IOC violates or fails to comply with these laws, regulations, permits, licenses and leases, it could be fined or otherwise sanctioned by regulatory authorities and costs associated with compliance could increase. It is foreseeable and probable that future legislation and regulations will cause additional expense and capital expenditures in IOC's operations and reclamation obligations, the extent of which cannot be predicted. Any of those events could reduce LIORC's revenue from the receipt of the Royalty and dividend payments on the IOC Equity.

Climate Change

National, provincial and international laws, regulations and policies regarding climate change could further limit the emissions of greenhouse gases and may affect IOC's operations and the operations of IOC's customers. The pricing of greenhouse gas emissions may adversely impact IOC's operational costs, including through higher prices for fossil fuels, as mining is an energy intensive industry. In addition, climate change regulations could increase the costs of steelmaking, which is a significant source of greenhouse gas emissions. Increased regulations associated with steel production in the jurisdictions in which IOC's customers operate could result in a lower demand for IOC's products which would have an adverse effect on its business. Should environmental laws, or their interpretation or enforcement, become more stringent, IOC's costs, or the costs of its customers, could increase, which may have a material adverse effect on IOC's business, financial condition, prospects and results of operations. The occurrence of these events could reduce LIORC's revenue from the receipt of the Royalty and dividend payments on the IOC Equity.

Customers

The viability and profitability of IOC's operations are dependent upon the performance by and IOC's ongoing relations with its customers. IOC relies on its customers to make timely and complete payments. Should customers of IOC's iron ore products and/or logistical services turn to alternative suppliers/service providers, be unable to pay IOC in full or on time due to financial distress or renegotiate their contracts on less favourable terms, IOC's financial performance may be adversely affected. In addition IOC derives a substantial portion of its revenue from a limited number of customers. If IOC were to lose one or more of its key customers, there is no assurance that it would be able to replace such customers with new customers that generate comparable revenue. Any of these events could reduce LIORC's revenue from the receipt of the Royalty and dividend payments on the IOC Equity.

Competition

The iron ore mining industry is highly competitive. IOC's business is impacted by competition from other mining and processing companies in Canada and around the world. Competition can be a factor in many aspects of IOC's business, including sales, availability and cost of supplies and labour, contractual terms and conditions, securing the services and supplies IOC needs for its operations and environmental regulatory compliance costs. If other producers are able to supply the market even in periods of low prices, with substitute products or products similar to IOC's, the price IOC receives for its products may decline. This could reduce LIORC's revenue from the receipt of the Royalty and dividend payments on the IOC Equity.

Labrador Leases

The Labrador Leases are issued pursuant to the *Labrador Mining and Exploration Act* (Newfoundland and Labrador). The Labrador Leases have been renewed for their final term and expire between 2050 and 2061. There is no guarantee of renewal beyond the final term of the Labrador Leases in which case IOC would be unable to explore, develop and operate the mine and LIORC's revenue from the Royalty and dividend payments on the IOC Equity would be eliminated.

Indigenous Groups

IOC is committed to engaging and consulting with indigenous groups who claim and/or assert indigenous rights and/or other interests in the regions where it operates. Indigenous claims to lands may have an impact on IOC's ability to develop its properties. Risks that require proactive management by engaging with indigenous groups include (i) regulatory risks if indigenous groups significantly delay approval of permits for new projects; (ii) risks of disruptive actions that could interrupt IOC's business; (iii) reputational/investor relations risks if IOC does not properly manage relationships; and (iv) litigation risks.

Litigation

The nature of IOC's business exposes it to various legal proceedings and claims, including civil liability claims, indigenous claims, environmental matters, health and safety matters, regulatory and administrative proceedings, governmental investigations, tort claims, contract disputes, labour matters and tax matters, among others. While IOC contests these and other matters vigorously and makes insurance claims where appropriate, litigation and other administrative proceedings could be inherently costly and unpredictable, making it difficult to accurately estimate the outcome of existing or future litigation. The occurrence of these events could reduce LIORC's revenue from the receipt of the Royalty and dividend payments on the IOC Equity.

Reserves and Resources

There is a degree of uncertainty attributable to the estimation of mineral reserves, mineral resources and ore quality. Until mineral reserves are actually mined and processed, the quantity and quality of ore and grades must be considered as estimates only. The mineral reserves described in this Annual Information Form are estimated tonnages and grades that IOC has determined can be economically mined and processed under present and assumed future conditions. The mineral resources described in this Annual Information Form are estimates, do not have demonstrated economic viability and may not be converted into mineral reserves. Any estimates are expressions of judgment based on knowledge, analysis of drilling results and industry practices. By their nature, estimates can be imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. IOC may be required in the future to revise its mineral reserve and mineral resource estimates based on actual production experience, projects, updated exploration drilling data and other factors such as long-term commodity pricing. Market prices of IOC's products, increased production costs, reduced recovery rates, short-term operating factors, ocean freight rates, royalties, taxes, fees and other factors may render some or all of the proven and probable mineral reserves uneconomic to exploit and may ultimately result in a reduction of mineral reserves.

ADDITIONAL INFORMATION

Additional information, including directors' and executive officers' remuneration and indebtedness and principal holders of LIORC's securities is contained in the most recent management information circular of LIORC. Additional financial information is provided in LIORC's comparative consolidated financial statements and Management Discussion and Analysis for the year ended December 31, 2023.

Additional information relating to LIORC may be found on LIORC's website at www.labradorironore.com and on SEDAR+ at www.sedarplus.ca.

SCHEDULE 1

AUDIT COMMITTEE CHARTER

Purpose

The audit committee (the “Committee”) is established by and among the Board of Directors (the “Board”) of Labrador Iron Ore Royalty Corporation (the “Corporation”). The Committee's principal responsibility is one of oversight. The fundamental responsibility for the Corporation’s financial statements and disclosures rest with management.

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities by monitoring the following on behalf of the Corporation:

- financial statements
- internal control systems over financial reporting and disclosure controls and procedures
- compliance with legal and regulatory requirements as they relate to the Corporation’s financial statements
- external auditor's qualifications and independence and performance
- compliance with ethical standards adopted by the Corporation
- enterprise and financial risk management processes, including environmental and sustainability matters and social responsibility
- information and communication technology functions including cyber security

The Committee should encourage continuous improvement and should foster adherence to the Corporation’s policies and procedures at all levels.

Composition of Committee

The Committee will consist of a minimum of three independent Board members. The Committee members will be appointed by the Board annually to hold office for the following year or until their successors are appointed. Committee members may be removed at any time by the Board. For the purposes of membership on the Committee, an independent director is one who meets the criteria in accordance with applicable regulatory and stock exchange requirements.

All members of the Committee must be financially literate. A member is financially literate if the member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation.

The Board will appoint a Chair for the Committee or if the Board fails to do so, the Committee will appoint one of its members as Chair. The Secretary of the Corporation will be the Secretary of the Committee.

Committee Meetings and Reports

The Chair of the Committee or the Chair of the Board or any member of the Committee or the external auditor may call a meeting of the Committee. The Committee will meet at such times during each year as it deems appropriate. The Committee will meet not less than four times per year.

The Committee will keep minutes of its meetings in which are recorded all actions taken by the Committee, and such minutes will be made available to the directors.

Duties and Responsibilities

External Auditor

(a) The Committee will recommend to the Board the appointment or discharge of the external auditor for the purpose of preparing or issuing an auditor's report on the annual financial statements or performing other audit, review or attest services for the Corporation and with respect to the compensation of the external auditor.

(b) The external auditor is ultimately accountable to the Committee as representatives of the Board. The Committee will oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. Such firm will report directly to the Committee.

(c) The Committee will obtain written confirmation from the external auditor that it is objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute of Chartered Professional Accountants to which it belongs.

(d) The Committee will:
   (i) review and approve the external auditor's engagement letter; and
   (ii) oversee the planning and results of external audit and the performance of the external auditor, including:

   - review and approve the audit plan in advance of each audit
   - review the post-audit letter of recommendations to management together with management's response
   - review the form of the audit report
   - review and approve any other audit-related engagements
   - meet with the external auditor to discuss pertinent matters, including the annual statement and any other returns and transactions requiring review by the Committee
   - at least annually, obtain and review a report by the external auditor describing the audit firm's internal quality control procedures and any material issues raised by the most recent internal quality control review
   - take into account the opinions of management
   - review and evaluate the lead partner of the external audit

(e) The Committee will pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the Corporation's external auditor, which function may be delegated to a member of the Committee.

(f) The Committee will review with management and with the external auditors the effectiveness of control systems used by the Corporation in connection with financial reporting and disclosure.

(g) The Committee will hold timely discussions with the external auditor regarding:

   - all critical accounting policies and practices
   - all alternative treatments of financial information within IFRS that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditor

- other material written communications between management and the external auditor, including the management letter and schedule of unadjusted differences

(h) The Committee will review financial reporting processes, accounting policies and internal control structure including:

- in consultation with the external auditor, review the integrity of the Corporation's financial reporting processes
- understand the scope of the audit plan, including the external auditor's review of the integrity of the Corporation's internal and external reporting processes
- review major issues regarding accounting principles and financial statement presentations

Financial Statements and Disclosures

(a) The Committee will review the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases before the Corporation publicly discloses that information and recommend same to the directors for their approval.

(b) The Committee will review the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to above.

Financial Management

(a) The Committee will review with management, the Corporation's finance function including its budget, organization and quality of personnel.

(b) The Committee will recommend policies that maintain and improve the financial health and integrity of the organization.

Enterprise Risk Management

(a) The Committee will review the Corporation's enterprise and financial risk management processes with respect to major financial risk exposures including cyber security threats and steps taken to monitor and control such exposures.

(b) The Committee will review the adequacy of risk management policies and procedures as they relate to financial reporting, and implementation of appropriate systems to manage such risks, including the adequacy of insurance coverages.

(c) The Committee will monitor environmental and sustainable business practices risks, including environmental and climate change, health and safety, social responsibility and related matters.

Legal Compliance

(a) The Committee will be responsible for:

- the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters

- the confidential, anonymous submission by directors, officers and employees, if any, of the Corporation of concerns regarding questionable accounting or auditing matters, in accordance with the Whistleblower Policy

(b) The Committee will review the Corporation's compliance with legal and regulatory requirements as they relate to the Corporation's financial statements.

(c) The Committee will review management's procedures regarding compliance with loan covenants.

(d) The Committee will review the status of material litigation, claims, compliance and regulatory contingencies.

(e) The Committee will oversee, review and periodically update the Corporation's code of business conduct and ethics and the Corporation's system to monitor compliance.

<u>Internal Controls</u>

(a) The Committee will review the integrity of the Corporation's internal control systems, including financial reporting, information technology security and control and the effectiveness of the controls and procedures that have been adopted to ensure the disclosure of all material information about the Corporation.

(b) The Committee will understand the scope of the external auditor's review of internal controls over financial reporting and obtain reports on significant findings and recommendations, together with management's responses.

Resources and Authority

The Corporation will provide appropriate funding, as determined by the audit committee, for compensation to the external auditor, to any advisors that the Committee chooses to engage, and for payment of ordinary administrative expense of the Committee that are necessary or appropriate in carrying out its duties.

The Committee has the authority to conduct investigations into any matters within its scope of responsibilities and obtain advice and assistance from outside legal, accounting and other advisors when necessary to perform its duties and responsibilities.

In carrying out its duties and responsibilities the Committee has the authority to engage outside legal, accounting and other advisors.

The Committee will review and reassess the adequacy of this charter annually.

Reviewed March 7, 2023

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