

**LABRADOR IRON ORE**  
ROYALTY CORPORATION

**NOTICE OF MEETING OF  
HOLDERS OF STAPLED UNITS**

**to be held on May 30, 2011**

**and**

**MANAGEMENT INFORMATION CIRCULAR**

**April 20, 2011**



# LABRADOR IRON ORE ROYALTY CORPORATION

## NOTICE OF MEETING

Notice is hereby given that a meeting (the “**Meeting**”) of the holders of stapled units of Labrador Iron Ore Royalty Corporation (“**LIORC**”) will be held on Monday, May 30, 2011 at 11:00 a.m. (Toronto time) at The Toronto Board of Trade, 1 First Canadian Place, Third Floor, Toronto, Ontario, Canada. Each stapled unit consists of: (a) one subordinated note receipt representing a \$7.75 face amount of subordinated notes of LIORC and (b) one common share of LIORC. As a result, the Meeting will constitute both (i) an annual and special meeting of the holders of common shares of LIORC and (ii) a concurrent meeting of the holders of subordinated note receipts of LIORC. The Meeting will be held for the following purposes:

- (a) as holders of common shares, to receive reports and audited financial statements;
- (b) as holders of common shares, to elect Directors for the coming year;
- (c) as holders of common shares, to appoint auditors for the coming year and authorize the Directors to fix their remuneration;
- (d) as holders of common shares, to consider and, if thought fit, to pass a special resolution approving an amendment to the articles of LIORC to subdivide the common shares on a two-for-one basis;
- (e) as holders of subordinated note receipts, to consider and, if thought fit, to pass an extraordinary resolution approving a supplemental agreement to amend the note deposit agreement governing the subordinated note receipts to subdivide each subordinated note receipt into two subordinated note receipts, each representing a \$3.875 face amount of subordinated notes of LIORC and entitled to interest payments of \$0.468 per annum; and
- (f) as holders of common shares, to consider and, if thought fit, to pass a special resolution approving an amendment to the articles of LIORC to permit LIORC to own, hold, possess, retain and manage, directly or indirectly, assets, both real and personal, located in or near Labrador City, Newfoundland and Labrador.

If the matters referred to in both (d) and (e) are approved, the number of stapled units outstanding will increase from 32 million to 64 million and each stapled unit will consist of (a) one subordinated note receipt representing a \$3.875 face amount of subordinated notes of LIORC and entitled to interest payments of \$0.468 per annum and (b) one common share of LIORC. The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular accompanying and forming part of this Notice.

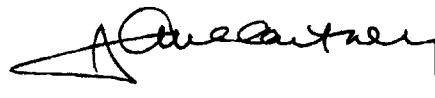
A holder of stapled units who is unable to attend the Meeting in person should complete, sign and return the enclosed form of proxy for use at the Meeting in the envelope provided. In order to be valid and acted upon at the Meeting or any adjournment thereof, proxies must be received by Computershare Investor Services Inc. at 100 University Avenue, Toronto, Ontario, M5J 2Y1 by 5:00 p.m. (Toronto time) on May 27, 2011.

If you are a non-registered holder of stapled units and received these materials through your broker or through another intermediary, please complete and return the form of proxy or voting instruction form, as the case may be, provided to you in accordance with the instructions provided by your broker or intermediary. Failure to do so may result in your common shares and subordinated note receipts not being eligible to be voted at the Meeting.

On behalf of the Board of Directors,



Bruce C. Bone  
President and Chief Executive Officer



James C. McCartney  
Executive Vice President and Secretary

April 20, 2011

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**LABRADOR IRON ORE ROYALTY CORPORATION**  
**MANAGEMENT INFORMATION CIRCULAR**  
**GENERAL PROXY MATTERS**

**Solicitation of Proxies**

This management information circular (“**Information Circular**”) is furnished in connection with the solicitation of proxies by management of Labrador Iron Ore Royalty Corporation (“**LIORC**”) for use at the meeting (the “**Meeting**”) of holders of stapled units to be held at The Toronto Board of Trade, 1 First Canadian Place, Third Floor, Toronto, Ontario, Canada on May 30, 2011 commencing at 11:00 a.m. (Toronto time) for the purposes set forth in the notice of meeting (the “**Notice**”) accompanying this Information Circular. Each stapled unit consists of: (a) one subordinated note receipt representing a \$7.75 face amount of subordinated notes of LIORC and (b) one common share of LIORC. As a result, the Meeting will constitute both (i) an annual and special meeting of the holders of common shares of LIORC and (ii) a concurrent meeting of the holders of subordinated note receipts of LIORC.

Information contained herein is given as of April 20, 2011. The costs incurred in the solicitation of proxies and in the preparation of mailing of this Information Circular will be borne by LIORC. Solicitation of proxies by the management of LIORC and by employees of Scotia Capital, the administrator of LIORC, will be through the mail, in person and/or by telephone. LIORC may also engage a soliciting agent at an immaterial cost.

**Appointment and Revocation of Proxies**

A form of proxy accompanies the Notice and this Information Circular. The persons named in such form of proxy are directors and officers of LIORC. A person or corporation submitting a proxy shall have the right to appoint a person (who need not be a holder of common shares or subordinated note receipts of LIORC represented by stapled units) to be a representative at the Meeting, other than the persons designated in the form of proxy furnished by LIORC. Such appointment may be exercised by inserting the name of the appointed representative in the blank space on the form of proxy. A proxy will not be valid unless it is completed and returned in the envelope provided for that purpose. In order to be valid and acted upon at the Meeting or any adjournment thereof, proxies must be received by 5:00 p.m. (Toronto time) on May 27, 2011.

A holder of common shares or subordinated note receipts of LIORC represented by stapled units who has given a proxy may revoke it by depositing an instrument in writing executed by such holder (or by an attorney duly authorized in writing) or, if such holder is a corporation, by any officer or attorney thereof duly authorized, either at the registered office of LIORC at any time up to and including the close of business on the last business day preceding the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day thereof or any adjournment thereof.

**Exercise of Discretion by Proxies**

The persons named in the enclosed form of proxy will, if the instructions are certain, vote the common shares and subordinated note receipts of LIORC represented thereby and, where a choice with respect to any matter to be acted upon has been specified in the form of proxy, the common shares and subordinated note receipts of LIORC will be voted in accordance with the specification. In the event that a proxy is returned without voting instructions, the common shares and subordinated note receipts of LIORC represented thereby will be voted in favour of the resolutions described in the Notice. If a person or corporation appoints a representative other than the persons designated in the form of proxy, LIORC assumes no responsibility as to whether the representative so appointed will attend the Meeting to vote the common shares and subordinated note receipts of LIORC in accordance with the instructions of, or otherwise act on behalf of, the person or corporation appointing the representative.

The enclosed form of proxy confers discretionary authority on the persons with respect to amendments or variations of matters identified in the Notice. At the time of printing this Information Circular, the directors of LIORC (the “**Directors**”) are not aware of any such amendments or variations.

## Information for Non-Registered Holders

Only holders of common shares and subordinated note receipts of LIORC whose names are set out in the applicable registers maintained by LIORC's transfer agent ("Registered Unitholders") or the persons they appoint as their proxies are permitted to vote at the Meeting. CDS & Co. is a Registered Unitholder that acts as a clearing agent for intermediaries (each, an "Intermediary") such as, among others, banks, trust companies, securities dealers or brokers and trustees, administrators or managers of self-administered registered retirement savings plan, registered retirement income funds, registered education savings plans and similar plans. In accordance with the requirements of National Instrument 54-101, LIORC has caused the Notice, this Information Circular and the accompanying form of proxy (collectively, the "Meeting Materials") to be distributed to CDS & Co. and the Intermediaries for onward distribution to non-registered holders of common shares and subordinated note receipts of LIORC represented by stapled units ("Non-Registered Holders").

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders.

Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will be given either:

- (i) a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the numbers of common shares and subordinated note receipts of LIORC beneficially owned by the Non-Registered Holder but which is otherwise not completed; this form of proxy need not be signed by the Non-Registered Holder; in this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and send or deliver it to Computershare Investor Services Inc. as set out in the Notice; or
- (ii) a voting instruction form, which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form and returned to the Intermediary or its service company. In some cases, the completion of the voting instruction form by telephone, the internet or facsimile is permitted.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the common shares and subordinated note receipts of LIORC that they beneficially own. Should a Non-Registered Holder who receives either a form of proxy or a voting instruction form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons designated in the form of proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding directions on the form.

**Common shares and subordinated note receipts of LIORC held by Intermediaries can only be voted at the Meeting upon the instructions of the Non-Registered Holders. Non-Registered Holders should carefully follow the instructions of their Intermediaries, including those regarding when and where the proxy or voting instructions form is to be delivered.**

## Reorganization

On July 1, 2010, Labrador Iron Ore Royalty Income Fund (the "Fund"), Labrador Mining Company Limited and LIORC completed a plan of arrangement under the *Canada Business Corporations Act* resulting in the reorganization of the Fund's income trust structure into a public corporation, LIORC, which continued the business of the Fund and its subsidiaries. Pursuant to the arrangement, the Fund was dissolved and its unitholders became holders of common shares and subordinated note receipts of LIORC represented by stapled units. The completion of the arrangement enabled LIORC to pay interest on its subordinated notes and dividends on its common shares directly to holders of stapled units on essentially the same basis as interest and dividends were previously distributed to the Fund's unitholders. From July 1, 2010, the common shares of LIORC and the subordinated note receipts have traded together as stapled units on the Toronto Stock Exchange under the symbol LIF.UN.

## **Quorum**

### *Common Shares*

The presence, in person or by proxy, of at least two holders of common shares of LIORC holding or representing at least 10% of the number of common shares outstanding on the date of the Meeting is required to constitute a quorum at the Meeting. If a quorum is not present at the Meeting, the Meeting will be adjourned to such day being not less than 14 days after the date of the Meeting, as may be specified by the Chairman of the Meeting. If at such adjourned meeting a quorum is not present, the holders of common shares present in person or by proxy will form a quorum. All matters being proposed at the Meeting or any adjournment, except for the subdivision of common shares and the amendment to the articles of LIORC to amend the restrictions on the business of LIORC, will require the affirmative votes of the holders of a majority of the common shares of LIORC represented at the Meeting to be approved. The special resolution approving the subdivision of common shares will require the affirmative votes of not less than 66 $\frac{2}{3}$ % of the votes cast by the holders of common shares of LIORC, present in person or represented by proxy, at the Meeting. To comply with the articles of LIORC, the special resolution approving the amendment to the articles of LIORC amending the restrictions on the business of LIORC will require the affirmative votes of not less than 75% of the votes cast by the holders of common shares of LIORC, present in person or represented by proxy, at the Meeting.

### *Subordinated Note Receipts*

The presence, in person or by proxy, of holders of subordinated note receipts representing a majority in number of the subordinated note receipts outstanding on the date of the Meeting is required to constitute a quorum at the Meeting. If a quorum is not present within 30 minutes after the time appointed for the Meeting, the Meeting will stand adjourned to a date determined by the Chairman of the Meeting that is not less than 10 nor more than 20 days later and to such place and time as may be appointed by the Chairman of the Meeting. If at such adjourned meeting a quorum is not present, the holders of subordinated note receipts present in person or by proxy will form a quorum. The extraordinary resolution approving the subdivision of the subordinated note receipts will require the affirmative vote of not less than 75% of the votes cast by the holders of subordinated note receipts of LIORC, present in person or represented by proxy, at the Meeting.

## **Voting Securities and Principal Holders**

### *Common Shares*

Holders of common shares of LIORC of record at the close of business on April 4, 2011 are entitled to notice of and to attend the Meeting in person or by proxy and are entitled to one vote per share held on all matters to be considered at the Meeting other than the subdivision of the subordinated note receipts. There are 32 million common shares outstanding.

### *Subordinated Note Receipts*

Holders of subordinated note receipts of LIORC of record at the close of business on April 4, 2011 are entitled to notice of and to attend the Meeting in person or by proxy and are entitled to one vote per subordinated note receipt held on the extraordinary resolution relating to the subdivision of the subordinated note receipts. There are 32 million subordinated note receipts outstanding.

### *Principal Holders*

To the best of the knowledge of the Directors, no person beneficially owns, directly or indirectly, or exercises control or direction over, common shares or subordinated note receipts of LIORC carrying more than 10% of the voting rights attached to the outstanding common shares or subordinated note receipts of LIORC which may be voted at the Meeting.

## Compensation

The compensation paid by the Fund to its executive officers for 2008, 2009 and the period from January 1, 2010 to June 30, 2010, and by LIORC for the period from July 1, 2010 to December 31, 2010, was as follows:

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Fees Earned</u>	<u>UAR Payments</u>	<u>Total Compensation</u>
Bruce C. Bone . . . . . President and CEO, Director	2010	\$156,250	\$50,000	\$54,450	—	\$260,700
	2009	\$140,000	—	\$64,600	\$ 42,500	\$247,100
	2008	\$140,000	—	\$64,600	\$106,600	\$310,600
James C. McCartney . . . . . Executive Vice President and Secretary, Director	2010	\$ 91,250	\$50,000	\$53,250	—	\$194,500
	2009	\$ 75,000	—	\$64,600	\$136,000	\$275,600
	2008	\$ 75,000	—	\$64,600	\$134,865	\$274,465
Alan R. Thomas . . . . . CFO, Director	2010	\$ 71,250	—	\$31,950	—	\$103,200
	2009	\$ 60,000	—	\$34,600	\$165,050	\$259,650
	2008	\$ 58,673	—	\$34,600	—	\$ 93,273
William J. Corcoran . . . . . Non-executive Chairman of the Board and Director	2010			\$66,600	—	\$ 66,600
Duncan N.R. Jackman . . . . .	2010			\$28,862	—	\$ 28,862
Paul H. Palmer . . . . . Director	2010			\$62,850	—	\$ 62,850
Donald J. Worth . . . . . Director	2010			\$51,650	—	\$ 51,650

The Compensation Committee, made up of independent Directors, determines the compensation for each of the executive officers. LIORC is a passive holder of interests in Iron Ore Company of Canada and has no operating business. In these circumstances, the Compensation Committee's process for determining executive compensation is very simple and it relies solely on Committee discussion, without any formal objectives, criteria and analysis. The focus is on the performance of the executive officer of his duties and responsibilities.

Effective October 1, 2010 the three executive officers were no longer paid fees for serving as directors of LIORC and IOC and their salaries were increased. The annual compensation of Mr. Bone is now \$205,000; the annual compensation of Mr. McCartney is now \$140,000; and the annual compensation of Mr. Thomas is now \$105,000. Messrs. Bone, McCartney and Thomas each have an employment contract that provides for the payment of two times his salary in the event of a change of control of LIORC, but no amount is payable if he continues as an employee of LIORC for a period longer than 90 days after the change of control.

The Compensation Committee awarded one-time special bonuses of \$50,000 each to Mr. Bone and Mr. McCartney for the extraordinary effort put forward in the successful conversion of the Fund to a corporation.

The Directors are entitled to compensation as approved by the Board. As at December 31, 2010, the annual compensation of the Directors, other than the three executive officers, is \$25,000 each and \$1,200 for each meeting attended. Mr. William Corcoran serves as non-executive Chairman of the Board and his annual compensation as such is \$25,000. The Chairman of the Audit Committee is paid an additional \$20,000 per annum, the Chairman of the Compensation Committee is paid an additional \$10,000 per annum and the Chairman of the Nominating Committee is paid an additional \$10,000 per annum. The three Directors who are also executive officers do not receive compensation for serving as Directors.

On May 18, 2005, the Fund adopted a unit appreciation rights plan for the Trustees. The Fund granted to each of its six Trustees unit appreciation rights in respect of 50,000 Units, for a total of 300,000. One-fourth of the unit appreciation rights vested at the time of issue, one-fourth vested on May 18, 2006, one-fourth vested on

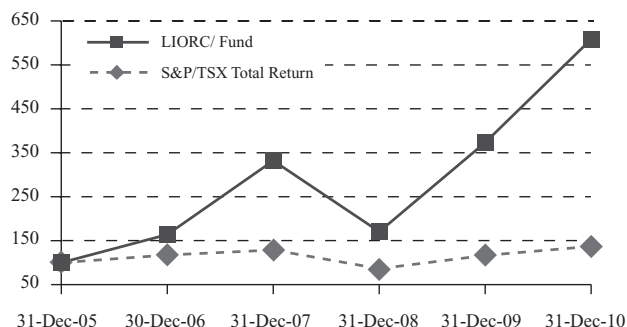
May 18, 2007 and one-fourth vested on May 18, 2008. All of the unit appreciation rights have now been exercised. At the time of exercise, for each right exercised, the Fund paid the difference between the fair market value of a unit on the date of exercise and \$23.00, the fair market value of the units at the time the rights were issued. In 2009, four Trustees exercised unit appreciation rights and received payments as follows: Mr. Bone 2,500 rights, \$42,500; Mr. McCartney 8,000 rights, \$136,000; Mr. Thomas 12,500 rights, \$165,050; and Mr. Worth 12,500 rights, \$150,000.

For the year ended December 31, 2010, the total compensation paid to the officers and Directors was \$768,362. For the year ended December 31, 2009, the total compensation paid to the officers and Directors was \$1,085,100 including the amount resulting from the exercise of unit appreciation rights.

The officers and Directors of LIORC are not entitled to any pension or other retirement benefit.

### Performance Graph

The graph below shows the cumulative total return on a \$100 investment on December 31, 2005 in trust units of the Fund, the predecessor reporting issuer to LIORC, and the cumulative total return of the S&P/TSX Composite Index over the five year period ending December 31, 2010, assuming reinvestment of all distributions.



	Dec. 31					
	2005	2006	2007	2008	2009	2010
LIORC/Fund . . . . .	100.0	163.9	332.0	170.4	373.7	608.7
S&P/TSX Composite Index . . . . .	100.0	117.3	128.8	86.3	116.5	137.0

As will be seen by the compensation table above, salaries and Directors' fees are not affected by LIORC's performance.

### Administration Agreement

Pursuant to an administration agreement extended on July 1, 2010, Scotia Managed Companies Administration Inc. acts as administrator for LIORC and Hollinger-Hanna Limited, for an aggregate annual fee of \$250,000 (payable monthly in advance). Scotia Managed Companies Administration Inc., as administrator, has agreed to provide or arrange for the provision of services required in the administration of LIORC and Hollinger-Hanna Limited. The administration agreement may be terminated by either party on six months' written notice.

### Interest of Certain Persons and Companies in Matters to be Acted Upon

The Directors of LIORC are not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any Director or executive officer of LIORC at any time since January 1, 2010, or of any associate or affiliate of any of the foregoing, in any matter to be acted on at the Meeting.

## ANNUAL BUSINESS OF THE MEETING

### Financial Statements

The financial statements of LIORC for the year ended December 31, 2010 and of the Fund for the year ended December 31, 2009 together with the auditors' report thereon, contained in the 2010 Annual Report mailed to the stapled unit holders with this Information Circular, will be presented to the holders of stapled units (in their capacities as holders of common shares) at the Meeting.

## Election of Directors

A resolution to elect Bruce C. Bone, William J. Corcoran, Duncan N.R. Jackman, James C. McCartney, Paul H. Palmer, Alan R. Thomas and Donald J. Worth as Directors of LIORC will be presented to the holders of stapled units (in their capacities as holders of common shares) at the Meeting. The term of office for each Director is from the date of the meeting at which he is elected until the next annual meeting or until a successor is elected or appointed. It is the intention of the persons named in the enclosed form of proxy, if not expressly directed to the contrary in such form of proxy, to vote such proxies for the election of the nominees as Directors of LIORC. Management does not contemplate that any of the nominees will be unable to serve as a Director but should that circumstance arise for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. In accordance with the LIORC's majority voting policy, any nominee in an uncontested election who receives a greater number of common shares withheld than common shares voted in favour of his appointment must tender his resignation to the Board for consideration and to take effect upon acceptance by the Board. **[The proxy permits holders of stapled units (in their capacities as holders of common share) to vote in favour of all nominees, to vote in favour of some nominees and to withhold votes for other nominees, or to withhold votes for all nominees].**

The name, province and country of residence, office held, principal occupation, date of appointment and number of stapled units owned, or over which control or direction is exercised, with respect to each of such nominees are as follows:

<u>Name and Residence</u>	<u>Office(s) Held</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number of Stapled Units</u>
Bruce C. Bone . . . . . Ontario, Canada	President, CEO and Director	President, CEO and Director of LIORC	2010 (Trustee of the Fund since 1995)	13,500 <sup>(1)</sup>
William J. Corcoran <sup>(2)(3)(4)</sup> . . . . . Ontario, Canada	Non-executive Chairman of the Board and Chairman of Nominating Committee	Vice-Chairman of Jarislowsky Fraser Limited, Investment Counsel, a registered investment counselling firm	2010 (Trustee of the Fund since 1995)	10,000
Duncan N.R. Jackman <sup>(2)(3)(4)</sup> . . . . . Ontario, Canada	Director	Chairman, President and CEO of E-L Financial Corporation Limited, an investment and insurance holding company	2010 (Trustee of the Fund since 2010)	—
James C. McCartney . . . . . Ontario, Canada	Executive Vice President, Secretary and Director	Company Director; Counsel, McCarthy Tétrault LLP, Barristers and Solicitors.	2010 (Trustee of the Fund since 1995)	5,000
Paul H. Palmer <sup>(2)(3)(4)</sup> . . . . . Ontario, Canada	Director and Chairman of Audit Committee	Company Director	2010 (Trustee of the Fund since 1995)	3,000
Alan R. Thomas . . . . . Ontario, Canada	CFO and Director	Company Director; prior to July 1, 2006 Vice President, Finance and CFO of ShawCor Ltd., energy services	2010 (Trustee of the Fund since 2004)	1,000
Donald J. Worth <sup>(2)(3)(4)</sup> . . . . . Ontario, Canada	Director and Chairman of Compensation Committee	Company Director	2010 (Trustee of the Fund since 1995)	800 <sup>(5)</sup>

(1) An associate of Mr. Bone owns 8,000 stapled units. Mr. Bone personally owns 5,500 stapled units.

(2) Member of Audit Committee.

(3) Member of Compensation Committee.

(4) Member of Nominating Committee.

(5) An associate of Mr. Worth owns 800 stapled units.

As at December 31, 2010, directors and officers of LIORC collectively beneficially owned, directly or indirectly, or exercised control and direction over 33,300 stapled units, representing about 0.1% of the stapled units.

The directors of LIORC are also directors and officers of Hollinger-Hanna Limited. Mr. Bone and Mr. McCartney serve as directors of Iron Ore Company of Canada.

LIORC does not have an executive committee.

### **Appointment of Auditors**

A resolution to appoint Deloitte & Touche LLP as auditors of LIORC will be presented to holders of stapled units (in their capacities as holders of common shares) at the Meeting. The persons named in the enclosed form of proxy, if not expressly directed to the contrary, will vote the common shares of LIORC represented by proxy for the appointment of Deloitte & Touche LLP, Chartered Accountants, as auditors of LIORC until the next annual meeting of holders of stapled units at remuneration to be fixed by the Directors. Deloitte & Touche LLP were first appointed auditors of the Fund on November 28, 1995 and of LIORC on July 1, 2010.

## **SPECIAL BUSINESS OF THE MEETING**

### **Subdivision of Stapled Units**

At the Meeting, holders of stapled units will be asked to pass:

- (i) a special resolution (in their capacities as holders of common shares) (the “**Subdivision Special Resolution**”) approving an amendment to the articles of LIORC to subdivide the outstanding common shares on a two-for-one basis, and
- (ii) an extraordinary resolution (in their capacities as holders of subordinated note receipts) (the “**Extraordinary Resolution**”) approving a supplemental agreement to amend the note deposit agreement originally made as of June 4, 2010 between the Fund (subsequently dissolved), LIORC (formerly Labrador Mining Company Limited) and Computershare Trust Company of Canada (the “**Custodian**”) and amended as of February 28, 2011 by supplemental agreement between the Custodian and LIORC (as amended, the “**Note Deposit Agreement**”) to subdivide the outstanding subordinated note receipts issued thereunder on a two-for-one basis and authorizing the Custodian to execute and deliver such supplemental agreement.

If holders of stapled units approve both the Subdivision Special Resolution and the Extraordinary Resolution and the subdivision is implemented, the number of outstanding common shares and subordinated note receipts represented by stapled units will increase from 32 million to 64 million and each stapled unit will thereafter consist of (a) one subordinated note receipt representing a \$3.875 face amount of subordinated notes of LIORC and entitled to interest payments of \$0.468 per annum, and (b) one common share of LIORC.

The Board of Directors expects the subdivision to encourage greater market liquidity and wider distribution of the stapled units among retail investors, as a lower price makes a board lot of stapled units more affordable. **The Board of Directors has determined that the subdivision is in the best interests of the holders of stapled units and therefore recommends that the holders of stapled units vote FOR the approval of each of the Subdivision Special Resolution and the Extraordinary Resolution.**

If the proposed subdivision is approved by holders of stapled units at the Meeting, it is expected that the record date for the subdivision would occur on or before June 30, 2011. Normally, the trading of the divided stapled units on the Toronto Stock Exchange would begin two business days prior to the record date. The Corporation will make an advance announcement of the record date when that date has been determined. Certificates for the additional stapled units resulting from the subdivision will be mailed to holders of stapled units as soon as possible after the record date. Holders of stapled units should retain their existing stapled unit certificates and not send them to LIORC or its transfer agent.

Based on the current provisions of the *Income Tax Act* (Canada) and the published administrative and assessing policies and practices of the Canada Revenue Agency, holders of common shares and subordinated note receipts represented by stapled units who hold their common shares and subordinated note receipts represented by stapled units as capital property will not be considered to have disposed of or acquired common shares or subordinated note receipts as a result of the subdivision. Instead, the adjusted cost base to a holder of one common share and one subordinated note receipt represented by one stapled unit immediately after the subdivision will be one-half of the adjusted cost base of the original undivided common share and subordinated note receipt, respectively, immediately before the subdivision. **Holders of stapled units are encouraged to speak to their own tax advisors regarding the impact of the subdivision to them in their personal circumstances.**

The full text of the proposed resolutions is set out in Appendix A to this Information Circular. In order to be approved, (i) the Subdivision Special Resolution must be passed by not less than 66⅔% of the votes cast by holders of common shares, present in person or represented by proxy, at the Meeting and (ii) the Extraordinary Resolution must be passed by not less than 75% of the votes cast by holders of subordinated note receipts, present in person or represented by proxy, at the Meeting. The subdivision will only take effect once articles of amendment have been filed under the *Canada Business Corporations Act*. The Board of Directors may revoke the Subdivision Special Resolution and the Extraordinary Resolution at any time before they are acted upon without any further approval.

The persons named in the accompanying form of proxy intend to vote in favour of the Subdivision Special Resolution and the Extraordinary Resolution, unless instructed otherwise by the holder of stapled units signing the proxy.

#### **Amendment to Business Restrictions**

At the Meeting, holders of stapled units will be asked to pass a special resolution (in their capacities as holders of common shares) (the “**Business Restriction Special Resolution**”) approving an amendment to the articles of LIORC to amend the restrictions on the business of LIORC set forth therein to permit the ownership and management of assets, both real and personal, located in or near Labrador City, Newfoundland and Labrador.

In addition to holding cash and investing in money market debt securities, the articles of LIORC currently restrict the business of LIORC to owning, holding, possessing, retaining and managing, directly or indirectly, (i) mineral leases and licenses granted by the Government of Newfoundland and Labrador covering land near Labrador City, Newfoundland; (ii) the sublease agreement dated February 25, 1953, as amended from time to time, between the Corporation and Iron Ore Company of Canada (“**IOC**”), including the royalty granted thereunder; (iii) securities of IOC; and (iv) an equity interest in Hollinger-Hanna Limited.

The Board has determined that it would be appropriate to amend the articles of LIORC to amend the restrictions on the business of LIORC described in clause (i) above to include assets, both real and personal, located in or near Labrador City, Newfoundland and Labrador including, without limitation, mineral leases, licenses and surface rights granted by the Government of Newfoundland and Labrador. The proposed amendment will permit LIORC to fully realize the benefits to which it is entitled under existing arrangements with the Province of Newfoundland and Labrador, including the acquisition of surface rights, and will provide more flexibility in dealing with assets in or near Labrador City.

**The Board of Directors has determined that the amendment to the articles of LIORC amending the restrictions on the business of LIORC is in the best interests of the holders of common shares and therefore recommends that the holders of common shares vote FOR the approval of the Business Restriction Special Resolution.**

The full text of the proposed Business Restriction Special Resolution is set out in Appendix B to this Information Circular. In order to be approved, the Business Restriction Special Resolution must be passed by not less than 75% of the votes cast by holders of common shares, present in person or represented by proxy, at the Meeting. The Board of Directors may revoke the Business Restriction Special Resolution at any time before it is acted upon without any further approval.

The persons named in the accompanying form of proxy intend to vote in favour of the Business Restriction Special Resolution, unless instructed otherwise by the holder of common shares signing the proxy.

### **CORPORATE GOVERNANCE MATTERS**

Disclosure regarding LIORC's corporate governance practices is set out in Appendix C to this Information Circular.

### **ADDITIONAL INFORMATION**

Additional information relating to LIORC is on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information is also available on LIORC's website at [www.labradorironore.com](http://www.labradorironore.com). Financial information is provided in LIORC's comparative financial statements and MD&A in its 2011 Annual Report. Holders of stapled units may contact LIORC at 40 King Street West, Scotia Plaza, 26<sup>th</sup> Floor, Box 4085, Station "A", Toronto, Ontario M5W 2X6; telephone (416) 863-7133; email [investor.relations@labradorironore.com](mailto:investor.relations@labradorironore.com) to request copies of LIORC's financial statements and MD&A.

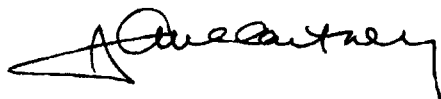
### **SHAREHOLDER PROPOSALS FOR NEXT YEAR'S ANNUAL MEETING**

The *Canada Business Corporations Act* permits certain eligible shareholders to submit shareholder proposals to LIORC for inclusion in a management proxy circular for an annual meeting of shareholders. The final date by which LIORC must receive shareholder proposals for the annual meeting to be held in fiscal 2012 is January 1, 2012.

### **DIRECTORS' APPROVAL**

The contents and sending of this Information Circular have been approved by the Directors of LIORC.

Dated the 20<sup>th</sup> day of April 2011.

A handwritten signature in black ink, appearing to read "James C. McCartney". The signature is written in a cursive style with a large initial "J" and "M".

James C. McCartney  
Executive Vice President and Secretary

## APPENDIX A

### TEXTS OF SUBDIVISION SPECIAL RESOLUTION AND EXTRAORDINARY RESOLUTION

#### Special Resolution

RESOLVED as a special resolution of holders of common shares of Labrador Iron Ore Royalty Corporation (the “**Corporation**”) that:

1. The articles of the Corporation be amended to change each of the issued and outstanding common shares of the Corporation into two common shares.
2. Each director and officer of the Corporation is authorized to do all such acts and things and to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such documents as in such director’s or officer’s opinion may be necessary or desirable to implement the foregoing.
3. The directors of the Corporation are authorized to revoke this resolution without further approval of the holders of common shares of the Corporation at any time prior to the filing of articles of amendment in respect thereof.

#### Extraordinary Resolution

RESOLVED as an extraordinary resolution of holders of subordinated note receipts of Labrador Iron Ore Royalty Corporation (the “**Corporation**”) that:

1. The note deposit agreement originally made as of June 4, 2010 between Labrador Iron Ore Royalty Income Fund (subsequently dissolved), the Corporation (formerly Labrador Mining Company Limited) and Computershare Trust Company of Canada (the “**Custodian**”) and amended as of February 28, 2011 by supplemental agreement between the Custodian and the Corporation (as amended, the “**Note Deposit Agreement**”) be amended to change each outstanding subordinated note receipt issued thereunder into two subordinated note receipts (the “**Receipt Subdivision**”).
2. The effective date of the Receipt Subdivision will be the effective date of the subdivision of the issued and outstanding common shares of the Corporation on a two-for-one basis approved by shareholders of the Corporation on or about the date hereof (the “**Share Subdivision**”).
3. The Custodian is authorized to execute and deliver to the Corporation a supplemental agreement amending the Note Deposit Agreement to give effect to the Receipt Subdivision, such supplemental agreement to be in a form approved by the directors of the Corporation.
4. Each director and officer of the Corporation is authorized to do all such acts and things and to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such documents as in such director’s or officer’s opinion may be necessary or desirable to implement the foregoing.
5. The directors of the Corporation are authorized to revoke this resolution without further approval of the holders of subordinated note receipts at any time prior to completion of the Share Subdivision.

## APPENDIX B

### TEXT OF BUSINESS RESTRICTION SPECIAL RESOLUTION

#### Special Resolution

RESOLVED as a special resolution of holders of common shares of Labrador Iron Ore Royalty Corporation (the “**Corporation**”) that:

1. The articles of the Corporation be amended to replace clause (a)(i) of the list of activities to which the business of the Corporation is restricted as set out in the Schedule to the articles of arrangement of the Corporation dated June 30, 2010 with the following:

“(i) assets, both real and personal, located in or near Labrador City, Newfoundland and Labrador including, without limitation, mineral leases, licenses and surface rights granted by the Government of Newfoundland and Labrador;”
2. Each director and officer of the Corporation is authorized to do all such acts and things and to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such documents as in such director’s or officer’s opinion may be necessary or desirable to implement the foregoing.
3. The directors of the Corporation are authorized to revoke this resolution without further approval of the holders of common shares of the Corporation at any time prior to the filing of articles of amendment in respect thereof.

## APPENDIX C

### CORPORATE GOVERNANCE DISCLOSURE

#### Directors

- The Directors who are independent are William J. Corcoran, Duncan N.R. Jackman, Paul H. Palmer and Donald J. Worth.
- Bruce C. Bone, James C. McCartney and Alan R. Thomas are officers of LIORC and not considered to be independent.
- A majority of the Directors are independent.
- William J. Corcoran is also a director of E-L Financial Corporation. Duncan N.R. Jackman is Chairman, President and CEO and a director of E-L Financial Corporation and is also a director of Algoma Central Corporation, Dundee Real Estate Investment Trust, Economic Investment Trust Limited, First National Financial Income Trust and United Corporations Limited. Mr. McCartney was a director of Algoma Steel Inc. when it filed under the Companies' Creditors Arrangement Act in 2001; and was a director of Campbell Resources Inc. when it filed under that Act in 2005; and was a past director when it filed again in January 2009. Alan R. Thomas is also a director of Teranga Gold Corporation. Donald J. Worth is also a director of Cornerstone Capital Resources Limited, Royal Gold Inc., and Sentry Select Capital Corp. and its managed funds including Premier Value Income Trust.
- The independent Directors do not meet separately on a regularly scheduled basis. They do make up the Audit, Compensation and Nominating Committees. LIORC is a passive holder of interests in Iron Ore Company of Canada (IOC) and has no operating business. The main responsibility of the Directors is to supervise the receipt of revenues and the payment of dividends and interest to holders of stapled units. In these circumstances, LIORC does not require as much organization and structure as an operating company. All discussion, including discussion among the independent Directors, is open and candid.
- The Chairman of the Board is an independent Director. When present, he presides at all meetings of the Board of Directors and, in the absence of the President and CEO, at meetings of the shareholders.
- In 2010, 4 meetings of the Directors and 9 meetings of the Trustees were held. All of the Directors and Trustees attended all of the meetings, except Mr. McCartney who was absent for one meeting of the Directors and Mr. Worth who was absent for one meeting of the Trustees. All of the members of committees attended all of the committee meetings.

#### Mandate

- The Directors have developed a written mandate which is attached as a Schedule hereto.

#### Position Descriptions

- The Directors have developed written descriptions of the responsibilities of the Chairman of the Board and the President and CEO. The chairmen of the committees are appointed under resolutions appointing the committees and their responsibilities are those usually applicable to the offices.

#### Orientation and Continuing Education

- Five of the seven existing Directors were the initial Trustees when the Fund was established in 1995. Each of them underwent an initial education program. When Alan R. Thomas was elected in 2004, he was provided with an orientation and education program. When Duncan N.R. Jackman was elected in 2010, he was provided with an orientation and education program.
- The Directors receive confidential monthly reports on the operations of IOC and visit the mine and other facilities of IOC in most years.

### **Ethical Business Conduct**

- The Directors have adopted a written code of conduct which is posted, together with the Mandate for the Board of Directors, on LIORC's website at [www.labradorironore.com](http://www.labradorironore.com). The Board of Directors monitors compliance with the code as part of its ongoing responsibilities.

### **Nomination of Directors**

- The Nominating Committee, made up of the independent Directors, is responsible for reviewing the performance of the Directors annually and for selecting the nominees for election as Directors by the holders of stapled units (in their capacities as holders of common shares) at each annual meeting. The Chairman of the Nominating Committee is the Chairman of the Board.

### **Compensation**

- The Compensation Committee, made up of the independent Directors, determines the fees and other compensation for the Directors and the compensation for the officers. The Compensation Committee considers the responsibilities, risks and time commitments of the Directors and the officers. The Compensation Committee is responsible for reviewing the performance of the officers.

### **Assessments**

- The Nominating Committee assesses the performance of the Directors during each year as part of the process of selecting nominees for election as Directors by the holders of stapled units (in their capacities as holders of common shares) for the following year.

## SCHEDULE TO APPENDIX C

### MANDATE FOR THE BOARD OF DIRECTORS

The board of directors of the Corporation (the “Board”) is elected by its shareholders and is responsible for managing, or supervising the management of, the investments and other business and affairs of the Corporation, including its subsidiary, Hollinger-Hanna Limited, and their holdings of a 7% gross overriding royalty on all products sold, delivered and shipped by Iron Ore Company of Canada (“IOC”), a 15.1% equity interest in IOC and a 10 cent per tonne fee on all products sold and shipped by IOC.

The Corporation is a passive holder of interests in IOC and has no operating business. The most important activity of the Board is supervising the receipt of revenues and the payment of distributions to the holders of its stapled units. In these circumstances, the Corporation does not require as much organization and structure as an operating company. Accordingly, the numbers of its directors and officers are small. The Board has appointed Scotia Capital Inc. as administrator of the Corporation and its subsidiary, subject to the supervision of the Board and the officers of the Corporation.

The Board discharges its responsibilities directly and through committees, including an Audit Committee, Compensation Committee and Nominating Committee. In addition to the Board’s primary responsibility of managing, or supervising the management of, the business and affairs of the Corporation, including the management of the investments of the Corporation, its responsibilities include, but are not limited to, the following:

#### **General**

1. The Board has the responsibility to manage, or to supervise the management of, the business and affairs of the Corporation, to approve policies of the Corporation and to review and approve major decisions taken by the Corporation. The stewardship of the Corporation involves the Board in strategic planning, identification of principal risks and ensuring implementation of appropriate systems to manage those risks, management appointments, succession planning and internal control integrity.

#### **Oversight of Officers**

2. The Board has the responsibility for approving the appointment of the officers of the Corporation and satisfying itself as to the integrity of the officers.
3. The Board has delegated authority to the President and Chief Executive Officer for the overall management of the Corporation, including operations to ensure the long term success of the Corporation and to maximize shareholder value.
4. The Board may from time to time delegate authority to the officers, subject to specified limits. Matters which are outside the scope of the authority delegated to the officers and material transactions are reviewed by and subject to the prior approval of the Board. The Board is responsible for the Corporation’s approach to corporate governance.

#### **Board Organization**

5. The Board has the responsibility for developing and monitoring corporate governance principles and guidelines, the selection of the Chairman, the selection of nominees for election to the Board, orientation of new directors, committee and committee chair appointments, committee charters and director’s compensation.
6. The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the directors and management, the conduct of performance evaluations and oversight of internal controls systems and disclosure controls and procedures, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

7. All Board committees will consist only of independent directors.
8. Each member of a Board committee will hold office until the next annual meeting of shareholders after the member's appointment, except that any member of a committee may be removed at any time by the Board and will cease to be a member upon ceasing to be a director. The Board may fill vacancies on any committee by appointment from among its members. If and when a vacancy exists on a committee, the remaining members of the committee may exercise all of its powers and discharge all of its duties as long as a quorum remains in office.
9. The Board will appoint one of the members of a committee to be chairman of the committee. The Secretary of the Corporation will be secretary of the committee. A committee must keep minutes of its meetings in which all action taken by it is recorded. Minutes will be made available to the directors.
10. Unless otherwise provided by the Board, meetings of a committee may be held at such place, on such day and at such time as the chairman of the committee determines. Notice of a meeting will be given to each member of a committee at least 48 hours before the time when the meeting is to be held, unless all members of the committee otherwise consent. At all meetings of a committee every question will be decided by a majority of the votes cast on the question, and in the case of an equality of votes the chairman of the meeting will not be entitled to a second or casting vote.

#### **Monitoring of Financial Performance and Other Financial Reporting Matters**

11. The Board is responsible for exercising the powers and authorities set out in the articles and by-laws of the Corporation.
12. The Board is responsible for approving the audited and unaudited financial statements of the Corporation and the notes thereto and the related Management's Discussion and Analysis.
13. The Board is responsible for reviewing and approving material transactions involving the Corporation and/or its subsidiaries.

#### **Policies and Procedures**

14. The Board is responsible for:
  - (a) approving and monitoring compliance with all significant policies and procedures under which the Corporation is operated;
  - (b) approving policies and procedures designed to ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and
  - (c) enforcing obligations of the Corporation respecting confidential treatment of the Corporation's proprietary information and Board deliberations.

#### **Communications and Reporting**

15. The Board is responsible for:
  - (a) overseeing the accurate reporting of the financial performance of the Corporation to shareholders, other security holders and regulators on a timely and regular basis;
  - (b) overseeing the reporting of financial results, fairly and in accordance with generally accepted accounting principles and related legal disclosure requirements;
  - (c) overseeing the integrity of the internal control and management information systems of the Corporation;
  - (d) overseeing the evaluation of the disclosure controls and procedures of the Corporation;
  - (e) overseeing the timely disclosure of any other developments that have a significant and material impact on the Corporation;
  - (f) reporting annually to shareholders on its stewardship for the preceding year; and
  - (g) overseeing the investor relations and communications strategy of the Corporation.

# LABRADOR IRON ORE

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ROYALTY CORPORATION