

## LABRADOR IRON ORE ROYALTY INCOME FUND

### AUDIT COMMITTEE CHARTER

WHEREAS the Declaration of Trust of the Fund dated October 5, 1995, as amended, permits the Trustees to appoint an Audit Committee (the "Committee") and to delegate to such Committee such authority as the Trustees may in their sole discretion deem necessary or desirable;

AND WHEREAS, the Committee's primary function is to oversee the effectiveness of the financial affairs of the Fund;

#### 1. Composition of Committee

- (a) The Committee shall consist of Independent Trustees, all of whom shall be qualified in accordance with applicable regulatory and stock exchange requirements. An Independent Trustee, for the purposes of membership on the Audit Committee, means a Trustee who has no direct or indirect material relationship with the Fund where a material relationship is a relationship which could, in the view of the Trustees, reasonably interfere with the exercise of the member's independent judgment.
- (b) The Committee shall consist of not fewer than three Trustees and a majority of Committee members shall constitute a quorum.
- (c) All members of the Committee shall 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 Fund.

#### 2. Procedural Matters

- (a) The Committee operates under authority vested by the Trustees and reports to the Trustees. Each member of the Committee shall be appointed by the Trustees and shall serve during the pleasure of the Trustees, so long as he or she remains a Trustee.
- (b) The Trustees shall appoint a Chairman for the Committee.
- (c) The Chairman of the Committee or the Chairman of the Trustees or any member of the Committee may call a meeting of the Committee. The Committee shall meet at such times during each year as it deems appropriate.

### 3. Duties and Responsibilities

- (a) The Committee shall make recommendations to the Trustees with respect to the external auditor to be nominated 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 Fund and with respect to the compensation of the external auditor.
- (b) The Committee shall 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 Fund, including the resolution of disagreements between management and the external auditor regarding financing reporting.
- (c) The Committee shall pre-approve all non-audit services to be provided to the Fund or its subsidiaries by the Fund's external auditor.
- (d) The Committee shall review the Fund's financial statements, management's discussion and analysis and annual and interim earnings press releases before the Fund publicly discloses this information, and recommend same to the Trustees for their approval.
- (e) The Committee shall review the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the public disclosure referred to in item (4).
- (f) The Committee shall be responsible for:
  - (i) the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal accounting controls, or auditing matters; and
  - (ii) the confidential, anonymous submission by Trustees, officers and employees, if any, of the Fund of concerns regarding questionable accounting or auditing matters.
- (g) The Committee shall review and approve the Fund's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.
- (h) The Committee shall review with management and with the external auditors the effectiveness of control systems used by the Fund in connection with financial reporting.
- (i) The Committee shall review outstanding litigation.

### 4. Resources, Meetings and Reports

- (a) The Committee shall have adequate resources to discharge its responsibilities.

- (b) The Committee may, for and on behalf of the Fund and at the Fund's sole expense, engage such consultants as it considers in its sole discretion necessary to assist it in fulfilling its duties and responsibilities.
- (c) The Committee shall meet not less than four times per year.
- (d) The Committee shall keep minutes of its meetings in which shall be recorded all actions taken by the Committee, and such minutes shall be made available to the Trustees.
- (e) The Committee shall review and reassess the adequacy of this charter annually.