LABRADOR IRON ORE
ROYALTY CORPORATION

2020 THIRD QUARTER REPORT

82 YEARS IN LABRADOR WEST

Report To Shareholders

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

The Directors of Labrador Iron Ore Royalty Corporation ("LIORC" or the "Corporation") present the third quarter report for the period ended September 30, 2020.

Royalty revenue for the third quarter of 2020 amounted to $52.4 million compared to $45.5 million for the third quarter of 2019. Net income was $57.7 million or $0.90 per share for the third quarter of 2020 compared to $57.5 million or $0.90 per share for the same period in 2019. Equity earnings from Iron Ore Company of Canada ("IOC") amounted to $34.9 million or $0.55 per share in the third quarter of 2020 compared to $28.7 million or $0.45 per share in the second quarter of 2020 and $32.0 million or $0.50 per share in the third quarter of 2019. Cash flow from operations for the third quarter was $11.1 million or $0.17 per share compared to $72.6 million or $1.13 per share for the same period in 2019. The third quarter of 2019 included a dividend of $40.1 million or $0.63 per share from IOC.

Royalty revenue for the third quarter of 2020 was 15% higher than the third quarter of 2019, predominantly as a result of higher realized iron ore prices and marginally higher sales tonnage. While prices for concentrate were higher in the third quarter of 2020 compared to the third quarter of 2019, pellet premiums were lower. The average price for the Platts index for 62% Fe Iron Ore, CFR China ("62% Fe index") increased 16% to US$118 per tonne in the third quarter of 2020, compared to the average price of US$102 per tonne in the third quarter of 2019. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US$29 per tonne in the third quarter of 2020, a 49% decrease over the third quarter of 2019. Despite the impacts on the operations of IOC from the COVID-19 pandemic, the total IOC's sales for calculating the royalty to LIORC (concentrate for sale ("CFS") plus pellets) of 4.7 million tonnes were 3% higher in the third quarter of 2020 compared to the same period in 2019. However, while pellet sales in the third quarter of 2020 of 2.3 million tonnes were 15% higher than in the third quarter of 2019, CFS sales of 2.3 million tonnes were 6% lower than in the same period in 2019. Cash flow from operations in the third quarter of 2020 was lower than in the third quarter of 2019 largely because IOC elected not to pay a shareholder dividend in the third quarter of 2020 in order to retain a substantially higher cash balance due to concerns that the COVID-19 pandemic may adversely affect IOC's operations and demand for its iron ore products. Equity earnings from IOC in the third quarter of 2020 were higher than in the third quarter of 2019, mainly due to higher realized iron ore prices.

Report To Shareholders

LIORC's results for the three months and nine months ended September 30 are summarized below:

(in millions except per share information)	**3 Months Ended Sept. 30, 2020**	**3 Months Ended Sept. 30, 2019**	**9 Months Ended Sept. 30, 2020**	**9 Months Ended Sept. 30, 2019**
	(Unaudited)			
Revenue	$ 52.9	$ 46.2	$ 147.9	$ 138.7
Cash flow from operations	$ 11.1	$ 72.6	$ 59.4	$ 145.4
Operating cash flow per share	$ 0.17	$ 1.13	$ 0.93	$ 2.27
Net income	$ 57.7	$ 57.5	$ 153.2	$ 157.9
Net income per share	$ 0.90	$ 0.90	$ 2.39	$ 2.47

Iron Ore Company of Canada Operations

Production

Total concentrate production in the third quarter of 2020 was 4.2 million tonnes. This was 21% lower than the third quarter of 2019 and 12% lower than the second quarter of 2020 due mainly to unplanned mechanical issues and power outages affecting the processing plant and a longer annual maintenance shutdown in September.

During the third quarter of 2020, total saleable production (CFS plus pellets) of 4.0 million tonnes was 21% lower than the third quarter of 2019, mainly as a result of lower concentrate production referred to above. CFS production in the third quarter of 2020 of 1.8 million tonnes was 26% lower than in the third quarter of 2019 and 32% lower than the second quarter of 2020. Pellet production in the third quarter of 2020 of 2.2 million tonnes was 17% lower than the third quarter of 2019 and 5% higher than the second quarter of 2020. Pellet production in the third quarter of 2020 was reduced due to IOC's decision to continue to align the product mix with customer demand by having one pellet line retired from operations during the quarter because of low demand from Europe. In the third quarter of 2019 all six pellet lines were in operation and in the second quarter of 2020 two pellet lines were retired from operations because of low European pellet demand. Pellet production in the third quarter of 2020 was also adversely impacted by the lack of pellet feed due to the concentrator issues noted above and a rescheduled two-month outage to rebuild one of the pellet lines from March to September due to COVID-19.

Total concentrate production for the nine months of 2020 was 13.8 million tonnes. This was 4% lower compared to the same period in the prior year, mainly as a result of the unplanned mechanical issues and power outages affecting the processing plant in the third quarter of 2020. Pellet production for the nine months of 2020 of 7.1 million tonnes was 7% lower compared to the same period in the prior year, mainly as a result of the decision to temporarily retire pellet lines from operations to align the product mix with customer

demand. CFS production for the nine months of 2020 of 5.9 million tonnes was the same as the same period in the prior year.

Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.7 million tonnes in the third quarter of 2020 was 3% higher compared to the same period in 2019. In the third quarter of 2020 CFS tonnage sold by IOC was 6% lower than in the same period in 2019 due to lower CFS production. Pellet sales tonnage was 15% higher than in the third quarter of 2019 mainly due to availability issues with ship-loaders in the third quarter of 2019, and 4% higher than the second quarter of 2020 due to an increase in pellet production as one of the two pellet lines retired in the first quarter of 2020 was brought back online in July as the demand for pellets in Europe improved.

Total iron ore sales tonnage by IOC (CFS plus pellets) for the nine months of 2020 was 14.0 million tonnes. This was 11% higher compared to the same period in 2019. CFS tonnage sold by IOC for the nine months of 2020 of 6.3 million tonnes was 17% higher compared to the same period in the prior year, mainly due to breakdowns on reclaiming and ship-loading equipment in the third quarter of 2019. Pellet tonnage sold by IOC for the nine months of 2020 of 7.6 million tonnes was 6% higher compared to the same period in the prior year, mainly due to breakdowns on reclaiming and ship-loading equipment in the third quarter of 2019, offset by lower pellet production in the second and third quarter of 2020 due to the decision to temporarily retire pellet lines from operations to align the product mix with customer demand.

IOC sells CFS based on the Platts index for 65% Fe Iron Ore, CFR China ("65% Fe index"). In the third quarter of 2020 the average price for the 65% Fe index was US$129 per tonne, an 18% increase from the average price in the third quarter of 2019 and a 19% increase from the second quarter of 2020. Prices for iron ore concentrate increased in the third quarter of 2020, due to continuing strong demand from China and tighter supply conditions. In the third quarter the 65% Fe index traded at an average premium of 9% to the 62% Fe index. This was higher than the 7% average premium in the third quarter of 2019, but was lower than the average premium of 16% in the second quarter of 2020, as higher prices caused some steel producers to switch to lower grade iron ore.

Despite an increase in pellet demand in Europe, overall low global steel demand and margins outside of China, and high iron ore base prices, pushed pellet premiums lower in the third quarter of 2020 to multi-year lows. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US$29 per tonne in the third quarter of 2020, a 49% decrease over the third quarter of 2019 and a 5% decrease over the second quarter of 2020.

Higher prices for CFS, partially offset by lower pellet premiums, resulted in royalty revenue for LIORC in the third quarter of 2020 increasing 15% compared to the royalty revenue in the third quarter of 2019.

A summary of IOC's sales for calculating the royalty to LIORC in millions of tonnes is as follows:

	3 Months Ended Sept. 30, 2020	3 Months Ended Sept. 30, 2019	9 Months Ended Sept. 30, 2020	9 Months Ended Sept. 30, 2019	Year Ended Dec. 31, 2019
Pellets	2.35	2.04	7.61	7.17	9.62
Concentrates[(1)]	2.31	2.46	6.35	5.43	7.51
Total[(2)]	4.65	4.51	13.96	12.60	17.14

(1) Excludes third party ore sales.

(2) Totals may not add up due to rounding.

Outlook

IOC production and sales volumes remain on target despite the additional challenges presented by COVID-19. In its third quarter operational report, Rio Tinto recently reaffirmed its 2020 guidance for IOC's saleable production of CFS and pellets at between 17.9 and 20.4 million tonnes.

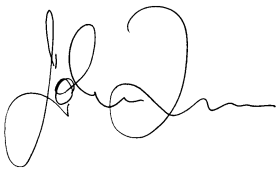
IOC continues to optimise its product mix to match market demand. Following signs of some recovery in pellet demand from Europe, IOC increased pellet production in the third quarter by operating five out of six lines in the pellet plant and plans to bring back the sixth line before the end of 2020.

Iron ore prices currently remain at multi-year highs. Since September 30, 2020 the average price for the 65% Fe index has remained above the average during the third quarter of 2020. Global economic activity is generally strong, and iron ore demand in China is at record levels as a result of commodity-intensive stimulus measures. However, steel production outside of China remains down significantly year over year, and earlier constraints on seaborne iron ore as a result of supply disruptions due to COVID-19 are easing and the major producers are expected to deliver strong volumes in the fourth quarter of 2020 which could result in lower iron ore prices. Also, there remain concerns of renewed lockdowns as a result of the ongoing COVID-19 pandemic that could threaten IOC operations and the global economic recovery.

IOC remains well positioned to benefit from its royalty and equity investments in IOC given strong iron ore market conditions and current production levels. In the nine months of 2020, LIORC paid a total of $1.25 per share in dividends to shareholders from cash received from its IOC royalty. In addition, LIORC's share of equity earnings in IOC was $88.3 million. However, despite the positive earnings at IOC, IOC decided not to declare a shareholder dividend in the nine months of 2020, in order to retain a higher cash balance because of the global economic uncertainty created by the COVID-19 pandemic. As a result, should IOC continue to be able to successfully operate throughout the duration of

the COVID-19 pandemic, LIORC would expect that this substantial cash balance at IOC will ultimately benefit LIORC in the form of higher future IOC dividends. LIORC continues to maintain a strong balance sheet with no debt and positive working capital (current assets minus current liabilities) of $29.8 million as at September 30, 2020.

Respectfully submitted on behalf of the
Directors of Labrador Iron Ore Royalty Corporation,



John F. Tuer
President and Chief Executive Officer
November 5, 2020

Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis section of the Corporation's 2019 Annual Report, and the financial statements and notes contained therein and the September 30, 2020 interim condensed consolidated financial statements. The Corporation's revenues are entirely dependent on the operations of IOC as its principal assets relate to the operations of IOC and its principal source of revenue is the 7% royalty it receives on all sales of iron ore products by IOC. In addition to the volume of iron ore sold, the Corporation's royalty revenue is affected by the price of iron ore and the Canadian – U.S. dollar exchange rate.

The first quarter sales of IOC are traditionally adversely affected by the closing of the St. Lawrence Seaway and general winter operating conditions and are usually 15%–20% of the annual volume, with the balance spread fairly evenly throughout the other three quarters. Because of the size of individual shipments, some quarters may be affected by the timing of the loading of ships that can be delayed from one quarter to the next.

Royalty revenue for the third quarter of 2020 amounted to $52.4 million compared to $45.5 million for the third quarter of 2019. Net income was $57.7 million or $0.90 per share for the third quarter of 2020 compared to $57.5 million or $0.90 per share for the same period in 2019. Equity earnings from IOC amounted to $34.9 million or $0.55 per share in the third quarter of 2020 compared to $28.7 million or $0.45 per share in the second quarter of 2020 and $32.0 million or $0.50 per share in the third quarter of 2019. Cash flow from operations for the third quarter was $11.1 million or $0.17 per share compared to $72.6 million or $1.13 per share for the same period in 2019. The third quarter of 2019 included a dividend of $40.1 million or $0.63 per share from IOC.

Royalty revenue for the third quarter of 2020 was 15% higher than the third quarter of 2019, predominantly as a result of higher realized iron ore prices and marginally higher sales tonnage. While prices for concentrate were higher in the third quarter of 2020 compared to the third quarter of 2019, pellet premiums were lower. The average price for the 62% Fe index increased 16% to US$118 per tonne in the third quarter of 2020, compared to the average price of US$102 per tonne in the third quarter of 2019. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US$29 per tonne in the third quarter of 2020, a 49% decrease over the third quarter of 2019. Despite the impacts on the operations of IOC from the COVID-19 pandemic, the total IOC's sales for calculating the royalty to LIORC (CFS plus pellets) of 4.7 million tonnes were 3% higher in the third quarter of 2020 compared to the same period in 2019. However, while pellet sales in the third quarter of 2020 of 2.3 million tonnes were 15% higher than in the third quarter of 2019, CFS sales of 2.3 million tonnes were 6% lower than in the same period in 2019. Cash flow from operations in the third quarter of 2020 was lower than in the third quarter of 2019 largely because IOC elected not to pay a shareholder dividend in the third quarter of 2020 in order to retain a substantially higher cash balance due to concerns that the COVID-19 pandemic may adversely affect IOC's operations and demand for its iron ore products. Equity earnings from IOC in the third quarter of 2020 were higher than in the third quarter of 2019, mainly due to higher realized iron ore prices.

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Despite an increase in pellet demand in Europe, overall low global steel demand and margins outside of China, and high iron ore base prices, pushed pellet premiums lower in the third quarter of 2020 to multi-year lows. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US$29 per tonne in the third quarter of 2020, a 49% decrease over the third quarter of 2019 and a 5% decrease over the second quarter of 2020.

Higher prices for CFS, partially offset by lower pellet premiums, resulted in royalty revenue for LIORC in the third quarter of 2020 increasing 15% compared to the royalty revenue in the third quarter of 2019.

Results for the nine months were affected by the same factors as affected the three month period.

The following table sets out quarterly revenue, net income and cash flow data for 2020, 2019 and 2018.

	Revenue	Net Income	Net Income per Share	Cash Flow	Cash Flow from Operations per Share	Adjusted Cash Flow per Share[1]	Dividends Declared per Share
	(in millions except per share information)						
2020							
First Quarter	$ 48.3	$ 46.7	$ 0.73	$ 10.7	$ 0.17	$ 0.42	$ 0.35
Second Quarter	$ 46.7	$ 48.9	$ 0.76	$ 37.6	$ 0.58	$ 0.40	$ 0.45
Third Quarter	$ 52.9	$ 57.7	$ 0.90	$ 11.1	$ 0.17	$ 0.46	$ 0.45
2019							
First Quarter	$ 39.2	$ 39.3	$ 0.61	$ 25.0	$ 0.39	$ 0.34	$ 1.05
Second Quarter	$ 53.3	$ 61.1	$ 0.95	$ 47.8[2]	$ 0.75[2]	$ 0.86[2]	$ 0.90
Third Quarter	$ 46.2	$ 57.5	$ 0.90	$ 72.6[3]	$ 1.13[3]	$ 1.02[3]	$ 1.00
Fourth Quarter	$ 39.6	$ 47.4	$ 0.74	$ 79.1[4]	$ 1.24[4]	$ 1.03[4]	$ 1.05
2018							
First Quarter	$ 34.3	$ 30.3	$ 0.47	$ 20.3	$ 0.32	$ 0.29	$ 0.35
Second Quarter	$ 5.2	$ (3.3)	$ (0.05)	$ 15.5	$ 0.24	$ 0.04	$ 0.25
Third Quarter	$ 44.6	$ 58.1	$ 0.91	$ 59.7[5]	$ 0.93[5]	$ 1.30[5]	$ 0.55
Fourth Quarter	$ 46.8	$ 43.4	$ 0.68	$ 53.3[6]	$ 0.83[6]	$ 0.79[6]	$ 0.60

(1) "Adjusted cash flow" (see below).
(2) Includes $25.4 million IOC dividend.
(3) Includes $40.1 million IOC dividend.
(4) Includes $44.6 million IOC dividend.
(5) Includes $58.6 million IOC dividend.
(6) Includes $25.3 million IOC dividend.

Standardized Cash Flow and Adjusted Cash Flow

For the Corporation, standardized cash flow is the same as cash flow from operating activities as recorded in the Corporation's cash flow statements as the Corporation does not incur capital expenditures or have any restrictions on dividends. Standardized cash flow per share was $0.17 for the quarter (2019 – $1.13). Cumulative standardized cash flow from inception of the Corporation is $31.90 per share and total cash distributions since inception is $31.59 per share, for a payout ratio of 99%.

The Corporation also reports "Adjusted cash flow" which is defined as cash flow from operating activities after adjustments for changes in amounts receivable, accounts payable and income taxes recoverable and payable. It is not a recognized measure under International Financial Reporting Standards ("IFRS"). The Directors believe that adjusted

cash flow is a useful analytical measure as it better reflects cash available for dividends to shareholders.

The following reconciles standardized cash flow from operating activities to adjusted cash flow (in '000's).

	3 Months Ended Sept. 30, 2020	3 Months Ended Sept. 30, 2019	9 Months Ended Sept. 30, 2020	9 Months Ended Sept. 30, 2019
Standardized cash flow from operating activities	$ 11,084	$ 72,646	$ 59,351	$ 145,446
Changes in amounts receivable, accounts payable and income taxes payable	18,070	(7,049)	22,268	(3,557)
Adjusted cash flow	$ 29,154	$ 65,597	$ 81,619	$ 141,889
Adjusted cash flow per share	$ 0.46	$ 1.02	$ 1.28	$ 2.22

Liquidity and Capital Resources

The Corporation had $18.8 million in cash as at September 30, 2020 (December 31, 2019 – $77.9 million) with total current assets of $73.3 million (December 31, 2019 – $114.0 million). The Corporation had working capital of $29.8 million as at September 30, 2020 (December 31, 2019 – $28.2 million). The Corporation's operating cash flow for the quarter of $11.1 million was negatively impacted by the payment of previously delayed income tax instalments and the higher royalty receivable. The dividend paid during the quarter was $28.8 million, resulting in cash balances decreasing by $17.7 million during the third quarter of 2020.

Cash balances consist of deposits in Canadian dollars with Canadian chartered banks. Amounts receivable primarily consist of royalty payments from IOC. Royalty payments are received in U.S. dollars and converted to Canadian dollars on receipt, usually 25 days after the quarter end. The Corporation does not normally attempt to hedge this short-term foreign currency exposure.

Operating cash flow of the Corporation is sourced entirely from IOC through the Corporation's 7% royalty, 10 cents commission per tonne and dividends from its 15.10% equity interest in IOC. The Corporation normally pays cash dividends from its net income to the maximum extent possible, subject to the maintenance of appropriate levels of working capital.

The Corporation has a $30 million revolving credit facility with a term ending September 18, 2022 with provision for annual one-year extensions. No amount is currently drawn under this facility (2019 – nil) leaving $30.0 million available to provide for any capital required by IOC or requirements of the Corporation.

Outlook

IOC production and sales volumes remain on target despite the additional challenges presented by COVID-19. In its third quarter operational report, Rio Tinto recently reaffirmed its 2020 guidance for IOC's saleable production of CFS and pellets at between 17.9 and 20.4 million tonnes.

IOC continues to optimise its product mix to match market demand. Following signs of some recovery in pellet demand from Europe, IOC increased pellet production in the third quarter by operating five out of six lines in the pellet plant and plans to bring back the sixth line before the end of 2020.

Iron ore prices currently remain at multi-year highs. Since September 30, 2020 the average price for the 65% Fe index has remained above the average during the third quarter of 2020. Global economic activity is generally strong, and iron ore demand in China is at record levels as a result of commodity-intensive stimulus measures. However, steel production outside of China remains down significantly year over year, and earlier constraints on seaborne iron ore as a result of supply disruptions due to COVID-19 are easing and the major producers are expected to deliver strong volumes in the fourth quarter of 2020 which could result in lower iron ore prices. Also, there remain concerns of renewed lockdowns as a result of the ongoing COVID-19 pandemic that could threaten IOC operations and the global economic recovery.

IOC remains well positioned to benefit from its royalty and equity investments in IOC given strong iron ore market conditions and current production levels. In the nine months of 2020, LIORC paid a total of $1.25 per share in dividends to shareholders from cash received from its IOC royalty. In addition, LIORC's share of equity earnings in IOC was $88.3 million. However, despite the positive earnings at IOC, IOC decided not to declare a shareholder dividend in the nine months of 2020, in order to retain a higher cash balance because of the global economic uncertainty created by the COVID-19 pandemic. As a result, should IOC continue to be able to successfully operate throughout the duration of the COVID-19 pandemic, LIORC would expect that this substantial cash balance at IOC will ultimately benefit LIORC in the form of higher future IOC dividends. LIORC continues to maintain a strong balance sheet with no debt and positive working capital (current assets minus current liabilities) of $29.8 million as at September 30, 2020.

John F. Tuer
President and Chief Executive Officer

Toronto, Ontario
November 5, 2020

Forward-Looking Statements

This report may contain "forward-looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "would", "anticipate" and other similar terminology are intended to identify forward-looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this report. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly, including iron ore price and volume volatility, exchange rates, the performance of IOC, market conditions in the steel industry, mining risks and insurance, relationships with indigenous groups, natural disasters, severe weather conditions and public health epidemics, changes affecting IOC's customers, competition from other iron ore producers, estimates of reserves and resources and government regulation and taxation. A discussion of these factors is contained in LIORC's annual information form dated March 5, 2020 under the heading, "Risk Factors". Although the forward-looking statements contained in this report are based upon what management of LIORC believes are reasonable assumptions, LIORC cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this report and LIORC assumes no obligation, except as required by law, to update any forward-looking statements to reflect new events or circumstances. This report should be viewed in conjunction with LIORC's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Notice:

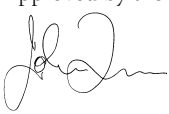
The following unaudited interim condensed consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not reviewed these interim financial statements.

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

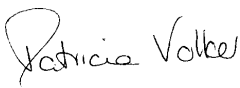
(in thousands of Canadian dollars)	As at September 30, 2020	As at December 31, 2019
	(Unaudited)	
Assets		
Current Assets		
Cash and short-term investments	$ 18,810	$ 77,859
Amounts receivable (note 4)	54,521	36,156
Total Current Assets	73,331	114,015
Non-Current Assets		
Iron Ore Company of Canada ("IOC") royalty and commission interests	242,893	247,701
Investment in IOC (note 5)	466,106	381,310
Total Non-Current Assets	708,999	629,011
Total Assets	$ 782,330	$ 743,026
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 11,410	$ 7,939
Dividend payable	28,800	67,200
Taxes payable	3,336	10,710
Total Current Liabilities	43,546	85,849
Non-Current Liabilities		
Deferred income taxes (note 6)	131,150	119,840
Total Liabilities	174,696	205,689
Shareholders' Equity		
Share capital	317,708	317,708
Retained earnings	303,241	230,005
Accumulated other comprehensive loss	(13,315)	(10,376)
	607,634	537,337
Total Liabilities and Shareholders' Equity	$ 782,330	$ 743,026

See accompanying notes to interim condensed consolidated financial statements.

Approved by the Directors,



John F. Tuer
Director



Patricia M. Volker
Director

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

(in thousands of Canadian dollars except for per share information)	For the Three Months Ended September 30, 2020	2019
	(Unaudited)	
Revenue		
IOC royalties	$ 52,354	$ 45,484
IOC commissions	458	443
Interest and other income	48	259
	52,860	46,186
Expenses		
Newfoundland royalty taxes	10,470	9,097
Amortization of royalty and commission interests	1,541	1,663
Administrative expenses	828	787
	12,839	11,547
Income before equity earnings and income taxes	40,021	34,639
Equity earnings in IOC	34,894	32,002
Income before income taxes	74,915	66,641
Provision for income taxes (note 6)		
Current	12,408	10,874
Deferred	4,779	(1,704)
	17,187	9,170
Net income for the period	57,728	57,471
Other comprehensive loss		
Share of other comprehensive loss of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2020 – $439; 2019 – $36)	(2,487)	(206)
Comprehensive income for the period	$ 55,241	$ 57,265
Net income per share	$ 0.90	$ 0.90

See accompanying notes to interim condensed consolidated financial statements.

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

(in thousands of Canadian dollars except for per share information)	For the Nine Months Ended September 30, 2020	2019
	(Unaudited)	
Revenue		
IOC royalties	$ 146,182	$ 136,590
IOC commissions	1,374	1,240
Interest and other income	315	870
	147,871	138,700
Expenses		
Newfoundland royalty taxes	29,236	27,318
Amortization of royalty and commission interests	4,808	4,596
Administrative expenses	2,201	2,346
	36,245	34,260
Income before equity earnings and income taxes	111,626	104,440
Equity earnings in IOC	88,254	88,346
Income before income taxes	199,880	192,786
Provision for income taxes (note 6)		
Current	34,815	32,712
Deferred	11,829	2,156
	46,644	34,868
Net income for the period	153,236	157,918
Other comprehensive loss		
Share of other comprehensive loss of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2020 – $519; 2019 – $220)	(2,939)	(1,248)
Comprehensive income for the period	$ 150,297	$ 156,670
Net income per share	$ 2.39	$ 2.47

See accompanying notes to interim condensed consolidated financial statements.

Labrador Iron Ore Royalty Corporation
Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	For the Nine Months Ended September 30, 2020	2019
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	$ 153,236	$ 157,918
Items not affecting cash:		
Equity earnings in IOC	(88,254)	(88,346)
Current income taxes	34,815	32,712
Deferred income taxes	11,829	2,156
Amortization of royalty and commission interests	4,808	4,596
Common share dividend from IOC	—	65,565
Change in amounts receivable	(18,365)	(3,656)
Change in accounts payable	3,471	603
Income taxes paid	(42,189)	(26,102)
Cash flow from operating activities	59,351	145,446
Financing		
Dividend paid to shareholders	(118,400)	(163,200)
Cash flow used in financing activities	(118,400)	(163,200)
Decrease in cash, during the period	(59,049)	(17,754)
Cash, beginning of period	77,859	80,495
Cash, end of period	$ 18,810	$ 62,741

See accompanying notes to interim condensed consolidated financial statements.

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

(in thousands of Canadian dollars)	**Share capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Total**
		(Unaudited)		
Balance as at December 31, 2018	$ 317,708	$ 280,759	$ (7,616)	$ 590,851
Adjustment on initial application of IFRS 16		(93)		(93)
Net income for the period	—	157,918	—	157,918
Dividends declared to shareholders	—	(188,800)	—	(188,800)
Share of other comprehensive loss from investment in IOC (net of taxes)	—	—	(1,248)	(1,248)
Balance as at September 30, 2019	$ 317,708	$ 249,784	$ (8,864)	$ 558,628
Balance as at December 31, 2019	$ 317,708	$ 230,005	$ (10,376)	$ 537,337
Net income for the period	—	153,236	—	153,236
Dividends declared to shareholders	—	(80,000)	—	(80,000)
Share of other comprehensive loss from investment in IOC (net of taxes)	—	—	(2,939)	(2,939)
Balance as at September 30, 2020	$ 317,708	$ 303,241	$ (13,315)	$ 607,634

See accompanying notes to interim condensed consolidated financial statements.

(in thousands of Canadian dollars)

1. Corporate Information

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

Seasonality

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

2. Basis of Presentation

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

These interim condensed consolidated financial statements and management's discussion and analysis were authorized for issuance by the Board of Directors of the Corporation on November 5, 2020.

3. Significant Accounting Policies

These interim condensed consolidated financial statements have been prepared using the same accounting policies as the annual consolidated financial statements for the year ended December 31, 2019. The disclosure in these interim condensed consolidated financial statements does not include all requirements of IAS 1 *Presentation of Financial Statements*. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

Following the declaration on March 11, 2020 of a pandemic by the World Health Organization, the restrictions imposed by governments around the world have had significant impact on the global economy. The COVID-19 pandemic increases the uncertainty regarding the immediate outlook for the Corporation. At present, IOC's mining, processing, rail and shipping operations continue to operate safely within the COVID-19 guidelines of both the Québec and Newfoundland and Labrador governments. As an understanding of the longer-term effects of COVID-19 on IOC's operations and iron ore markets evolves, management will continue to assess its impact on the Corporation's

investment in IOC and the IOC royalty and commission interests. IOC has not declared a dividend in the nine months ended September 30, 2020 in order to retain a higher cash balance due to concerns that the COVID-19 pandemic may adversely affect IOC's operations and demand for its iron ore products.

4. Amounts Receivable

	September 30, 2020	December 31, 2019
IOC royalties	$ 54,290	$ 35,950
IOC commissions	134	168
Other	97	38
	$ 54,521	$ 36,156

5. Investment in IOC

The Corporation holds, directly and through Hollinger-Hanna, all of the Series B and Series C common shares of IOC, representing a 15.10% equity interest in IOC as at September 30, 2020 and December 31, 2019. The Series B and Series C common shares have identical voting rights to all other issued and outstanding common shares of IOC.

	September 30, 2020	December 31, 2019
Investment in IOC, beginning of period	$ 381,310	$ 382,704
Equity earnings in IOC	88,254	112,076
Other comprehensive loss of IOC	(3,458)	(3,247)
Adjustment on initial application of IFRS 16	—	(109)
Common share dividend received	—	(110,114)
Investment in IOC, end of period	$ 466,106	$ 381,310

The net excess of cost of the Investment in IOC over the net book value of the Corporation's proportionate interest in the underlying net assets of IOC amounts to $41,543 as at September 30, 2020 (December 31, 2019 – $42,365) and is being amortized to net income on the units-of-production method based on production and mineral reserve and resource estimates at IOC.

6. Income Taxes

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Income before income taxes	$ 74,915	$ 66,641	$ 199,880	$ 192,786
Income taxes at combined federal and provincial statutory tax rates of 30.0%	22,475	19,992	59,964	57,836
(Decrease) increase in income taxes resulting from:				
Undistributed equity earnings in investment in IOC	(5,234)	(4,800)	(13,238)	(13,252)
Equity earnings distributed as dividends	—	(6,019)	—	(9,835)
Other	(54)	(3)	(82)	119
Income tax expense	$ 17,187	$ 9,170	$ 46,644	$ 34,868

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

The deferred tax liability is comprised of the following:

	Opening Balance	Recognized in net income	Recognized in other comprehensive loss	Closing Balance
December 31, 2019				
Difference in tax and book value of assets	$ 122,431	$ (1,542)	$ (487)	$ 120,402
Adjustment on initial application of IFRS 16	(16)			(16)
Tax benefit of deductible temporary differences	(671)	125	—	(546)
Net deferred income tax liability	$ 121,744	$ (1,417)	$ (487)	$ 119,840
September 30, 2020				
Difference in tax and book value of assets	$ 120,386	$ 11,791	$ (519)	$ 131,658
Tax benefit of deductible temporary differences	(546)	38	—	(508)
Net deferred income tax liability	$ 119,840	$ 11,829	$ (519)	$ 131,150

7. Key Management Personnel Compensation

Key management personnel are the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer and directors. Their remuneration for the three months ended September 30, 2020 was comprised of salaries, Restricted Share Units ("RSUs"), and fees totaling $457 (2019 – $279). Their remuneration for the nine months ended September 30, 2020 was comprised of salaries, RSUs, and fees totaling $1,107 (2019 – $1,001).

8. Share-based payments

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

Under the Plan, selected employees receive an award of RSUs which vest in three equal installments on each of the first, second and third anniversary of the award date. Upon vesting all RSUs are paid in cash to the employee. The share-based payment expense is recognized evenly over the vesting period. As at September 30, 2020, there were 10,523 (2019 – 16,915) RSUs awarded and outstanding. For the three month and nine month period ended September 30, 2020, compensation expense of approximately $167 (2019 – $4) and $245 (2019 – $188) was accrued in connection with the RSUs.

Corporate Information

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Company Director

Mark J. Fuller(1)
President and CEO of
Ontario Pension Board

William H. McNeil
Company Director

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

Dorothea E. Mell(1)
Company Director

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

Patricia M. Volker(1)
Company Director

Officers

William H. McNeil
Chair of the Board

John F. Tuer
President and Chief Executive Officer

Sandra L. Rosch
Executive Vice President

Alan R. Thomas
Chief Financial Officer

Robert O. Hansen
Secretary

(1) Member of Audit, Nominating and Compensation Committees

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