LABRADOR IRON ORE
ROYALTY CORPORATION

222
ANNUAL REPORT

85 YEARS IN LABRADOR WEST

LABRADOR IRON ORE
ROYALTY CORPORATION

Annual General Meeting

The Annual General Meeting of the holders of common shares of Labrador Iron Ore Royalty Corporation will be held:

Date Tuesday, May 16, 2023
Time 11.00 a.m
Place Toronto Region Board of Trade, 77 Adelaide Street West, First Canadian Place, Third Floor, Toronto, Ontario, Canada. For information on attending the meeting virtually, see Labrador Iron Ore Royalty Corporation's Notice of Annual General Meeting and Management Information Circular.

The holders of common shares are encouraged to complete the Form of Proxy and forward it on or before May 12, 2023, pursuant to the requirements set out in the Form of Proxy and Management Information Circular.

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Forward-Looking Statements

This report may contain "forward-looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "would", "anticipate" and other similar terminology are intended to identify forward-looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this report. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly, including iron ore price and volume volatility; the performance of IOC; market conditions in the steel industry; fluctuations in the value of the Canadian and U.S. dollar; mining risks that cause a disruption in operations and availability of insurance; disruption in IOC's operations caused by natural disasters, severe weather conditions and public health crises, including the COVID-19 outbreak; failure of information systems or damage from cyber security attacks; adverse changes in domestic and global economic and political conditions; changes in government regulation and taxation; national, provincial and international laws, regulations and policies regarding climate change that further limit the emissions of greenhouse gases or increase the costs of operations for IOC or its customers; changes affecting IOC's customers; competition from other iron ore producers; renewal of mining licenses and leases; relationships with indigenous groups; litigation; and uncertainty in the estimates of reserves and resources. A discussion of these factors is contained in LIORC's annual information form dated March 7, 2023 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.

Labrador Iron Ore Royalty Corporation

Labrador Iron Ore Royalty Corporation ("LIORC"), a Canadian corporation, owns interests in Iron Ore Company of Canada ("IOC") which operates a major iron mine near Labrador City, Newfoundland and Labrador on lands leased from LIORC. Directly and through its wholly-owned subsidiary, Hollinger-Hanna Limited ("Hollinger-Hanna"), LIORC owns a 15.10% equity interest in IOC and receives a 7% gross overriding royalty and a $0.10 per tonne commission on all iron ore products produced from the leased lands, sold and shipped by IOC.

As at December 31, 2022, there were 64 million common shares issued and outstanding which are listed for trading on the Toronto Stock Exchange under the symbol LIF. Generally, LIORC pays cash dividends from the free cash flow generated from IOC to the maximum extent possible, subject to the maintenance of appropriate levels of working capital. Currently, quarterly dividends are payable to all shareholders of record on the last business day of each calendar quarter and are paid on or after the 26th day of the following month. The common shares are qualified investments under the *Income Tax Act (Canada)* for deferred plans including registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

As at December 31, 2022 LIORC had a Board of seven Directors, an Audit Committee, a Compensation Committee and a Nominating Committee. The Audit, Compensation and Nominating Committees are composed of four independent Directors.

The financial statements and information derived therefrom are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all amounts are shown in Canadian dollars unless otherwise indicated.

Shareholders' Investment Highlights

Years Ended December 31	**2022**	**2021**
	($ in millions except per share information)	
Revenue	232.9	279.7
Net Income	265.4	379.8
Cash Flow from Operations	184.2(1)	402.4(2)
Net Income per Share	$ 4.15	$ 5.93
Cash Flow from Operations per Share	$ 2.88(1)	$ 6.29(2)
Dividends Declared per Share	$ 3.10	$ 6.00

(1) Includes IOC dividends totaling $69.1 million or $1.08 per Share.
(2) Includes IOC dividends totaling $227.8 million or $3.56 per Share.

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 Annual Report for the year ended December 31, 2022.

85 Years in Labrador West

Labrador Iron Ore Royalty Corporation has been involved in Labrador West for 85 years. Under a Statutory Agreement with Newfoundland made in 1938, a predecessor company, Labrador Mining and Exploration Limited ("LM&E"), was granted extensive exploration and mining rights in Labrador West. LM&E found the iron ore bodies that now constitute the mine operated by Iron Ore Company of Canada. LM&E received grants of leases and licences under the Statutory Agreement. It also received a grant of surface rights to establish the town site that became Labrador City. LM&E sublets the leases to IOC and IOC, with major steel companies as original shareholders, built the infrastructure, mine, railway and port. Under the sublease, LIORC receives a 7% gross overriding royalty on iron ore products produced and sold by IOC.

Financial Performance

In 2022, LIORC's financial results were negatively impacted by lower iron ore prices and lower volumes of pellet sales, partly offset by higher pellet premiums and higher volumes of concentrate for sale ("CFS") sales. Net income per share for the year ended December 31, 2022 was $4.15 per share, which was a 30% decrease over 2021. The cash flow from operations per share for 2022 was $2.88 per share, which was 54% lower than in 2021 due to lower royalty revenues and decreased dividends from IOC. IOC dividends decreased as a result of lower earnings at IOC and a decision by IOC to pay lower shareholder dividends in order to retain a higher cash balance due in part to expectations of higher capital expenditure needs going forward. In 2022, IOC paid dividends to its shareholders of US$345 million and had a year-end net working capital balance of US$274.7 million, compared to dividends of US$1,200 million and a year-end net working capital balance of US$16.9 million in 2021.

In 2022 global steel production dropped by 5%, as higher inflation and global recessionary concerns reduced the demand for steel. Steel production was also negatively impacted by China's zero COVID-19 policy of strict lockdowns and concerns about China's property construction sector. This resulted in decreased demand from China and the rest of the world for seaborne iron ore, and hence iron ore prices declined from the record prices experienced in 2021. IOC sells CFS based on the the Platts index for 65% Fe, CFR China (the "65% Fe index"). All references to tonnes and per tonne prices in this report refer to wet metric tonnes, other than references to Platts quoted pricing, which refer to dry metric tonnes. Historically, IOC's wet ore contains approximately 3% less ore per equivalent volume than dry ore. In 2022, the average price for the 65% Fe index was US$139 per tonne, a decrease of 25% year over year. The 65% Fe index continued to be quite volatile throughout the year, starting the year at US$140 per tonne and trading as high as US$192 per tonne in March and as low as US$91 per tonne in October, before ending the year at US$131 per tonne.

Despite the reduction in steel production, the demand for pellets held firm and as a result the decline in the price for pellets was mitigated by an increase in the pellet premium. The monthly Atlantic Blast Furnace 65% Fe pellet premium index as quoted by Platts (the "pellet premium") averaged US$72 per tonne in 2022, an increase of 20% from 2021.

Rio Tinto disclosed that IOC achieved an average realised price for pellets, FOB Sept-Îles of approximately US$190 per tonne, a decrease of 11% year over year. Based on sales as reported for the LIORC royalty, the overall average price realized by IOC for CFS and pellets, FOB Sept-Îles was approximately US$153 per tonne in 2022, a decrease of 19% year over year. The decrease in the average realized price FOB Sept-Îles in 2022 was a result of lower CFS and pellet prices.

Iron Ore Company of Canada Operations

Operations

Total concentrate production in 2022 was 19.1 million tonnes. This was 7% higher than 2021, in part as a result of a lower strip ratio in 2022. IOC also successfully deployed the Rio Tinto Safe Production System (SPS) at the concentrator in the year, which helped IOC achieve monthly records for concentrate production and total material moved in the second quarter. Despite the successes, there continued to be a number of operational issues that limited IOC from achieving concentrate production closer to name plate capacity, including intermittent periods of a lack of feed at the concentrator due to the mine and ore delivery system in the first quarter and equipment availability at the loadout during the fourth quarter.

The IOC saleable production (CFS plus pellets) of 17.6 million tonnes in 2022 was 6% higher than 2021, and was within the range of Rio Tinto's original annual guidance of 17.0 to 18.7 million tonnes. In 2022, CFS production of 7.95 million tonnes was 21% higher than 2021, mainly due to higher concentrate production referred to above. Pellet production in 2022 of 9.6 million tonnes was 4% lower than 2021 mainly due to equipment reliability challenges, a negative stockpile survey adjustment and lower pellet recovery rates experienced during the year.

Third party iron ore haulage by the Québec North Shore and Labrador Railway Company, Inc. ("QNS&L") of 14.6 million tonnes in 2022 was 14% higher than in 2021, predominantly due to increased shipments of iron ore from Champion Iron Limited.

Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 16.4 million tonnes in 2022 was 3% lower than the total sales tonnage in 2021, predominantly due to inventory availability, and a significant weather event in December that affected the timing of sales in the fourth quarter.

Capital Expenditures

Capital expenditures for IOC were $460 million in 2022. This was 8% lower than 2021, but substantially higher than 2020. Capital expenditures in 2022 were 24% lower than the $606 million that IOC had originally forecasted, mainly due to the decision by IOC to defer certain capital projects, including the redesign of the tailings system, the rebuild of induration machine #3 at the pellet plant, and the construction of a parallel outgo rail track to improve the dumping speed and operational efficiency at Sept-Îles.

Outlook

Rio Tinto's 2023 guidance for IOC's saleable production tonnage (CFS plus pellets) is 17.9 million to 19.6 million tonnes. This compares to 17.6 million tonnes of saleable production in 2022. Despite the lower current pellet premiums, it is expected that IOC will continue to focus on maximizing pellet production in 2023.

The capital expenditures for 2023 at IOC are forecasted by IOC to be approximately $534 million. The 2023 forecast includes approximately $134 million of growth and development projects. Significant development capital expenditure projects scheduled for 2023 include the redesign of Mill 11 Fine Circuit, the new outgo track at Sept-Îles referred to above, and the replacement of existing heavy fuel oil steam capacity with an electric boiler to reduce carbon emissions. Significant sustaining capital expenditure projects include the rebuild of induration machine #3 at the pellet plant and the track replacement program on the QNS&L.

IOC's operator, Rio Tinto, is committed to reaching net zero emissions by 2050 and is targeting a 15% reduction in Scope 1 & 2 emissions by 2025 (from a 2018 baseline) and a 50% reduction by 2030.(1) Approximately 75% of IOC's current GHG emissions come from pelletizing. In the shorter term, IOC is looking at ways to electrify its sources of heat to reduce emissions. This includes the introduction of the new electric boiler referred to above and the commencement of the pilot project to test the use of four new plasma torches in the pellet plant.

Rio Tinto's approach to addressing Scope 3 emissions is to engage with its customers on climate change and work with them to develop the technologies to decarbonize. Optimizing the use of traditional blast furnaces involves the use of higher-grade iron ore, such as that produced by IOC. Additionally, the direct reduction of high-grade iron ore pellets (such as those produced by IOC) is already an available technology today using natural gas as a reductant to produce a low-carbon iron product that can be directly processed in an electric arc furnace. Switching from natural gas to green hydrogen would make this a net zero process route. Rio Tinto states that in 2023 it will further evaluate opportunities in North America and the Middle East to produce hot briquetted iron (HBI) with hydro-based green hydrogen and high-grade iron ore from IOC.(1)

(1) Source: Rio Tinto Climate Change Report 2022.

Report to Shareholders

On January 31, 2023, IOC and The Naskapi Nation of Kawawachikamach signed an agreement to establish a mutually beneficial relationship based on dialogue, collaboration and trust between the company and the community over the coming decades. The socio-economic agreement aims to create opportunities for greater participation by Naskapi people in IOC's activities through training and development, employment, collaboration on environmental projects, and procurement. It will also protect and encourage the practice of traditional activities and provide long-term financial benefits to the Naskapi Nation.

Despite the significant decrease in iron ore markets in the second half of 2022, prices have recently improved as China has eased its zero COVID-19 policy of strict lockdowns and there are some indications that there will be support for China's property sector. Currently, the World Steel Association is forecasting a 2.2% increase in global steel production for 2023, suggesting further support for iron ore prices. Thus far in 2023 (January and February), the average price of the 65% Fe index has been US$139 per tonne, which is equal to the annual average of the 65% Fe index in 2022 and up from an average of US$111 per tonne in the fourth quarter of 2022. However, the demand for pellets has remained weaker and thus far in 2023 (January and February) the average pellet premium has averaged US$46 per tonne compared to an annual average of US$72 per tonne in 2022.

I would like to take this opportunity to thank our Shareholders for their interest and loyalty and my fellow Directors for their guidance and support.

Respectfully submitted on behalf of the
Directors of the Corporation,

John F. Tuer
President and Chief Executive Officer
March 7, 2023

Corporate Structure

LIORC is a Canadian corporation formed to give effect to the conversion of the Labrador Iron Ore Royalty Income Fund (the "Fund") into a corporation under a plan of arrangement completed on July 1, 2010. LIORC is also the successor by amalgamation of a predecessor of LIORC with Labrador Mining Company Limited, formerly a wholly-owned subsidiary of the Fund, that occurred pursuant to the plan of arrangement.

LIORC, directly and through its wholly-owned subsidiary Hollinger-Hanna, holds a 15.10% equity interest in IOC and receives a 7% gross overriding royalty and a 10 cent per tonne commission on all iron ore products produced, sold and shipped by IOC. Generally, LIORC pays cash dividends from the free cash flow generated from IOC to the maximum extent possible, subject to the maintenance of appropriate levels of working capital. Quarterly dividends are payable to all shareholders of record on the last business day of each calendar quarter and are paid on or after the 26th day of the following month.

Seven Directors are responsible for the governance of the Corporation and also serve as directors of Hollinger-Hanna. The Directors, in addition to managing the affairs of the Corporation and Hollinger-Hanna, oversee the Corporation's interests in IOC. The Audit, Compensation and Nominating Committees are composed of four independent Directors.

Taxation

The Corporation is a taxable corporation. Dividend income received from IOC and Hollinger-Hanna is received tax free while royalty income is subject to income tax and Newfoundland and Labrador royalty tax. Expenses of the Corporation include administrative expenses. Hollinger-Hanna is a taxable corporation.

Income Taxes

Dividends to a shareholder that are paid within a particular year are to be included in the calculation of the shareholder's taxable income for that year. All dividends paid in 2022 were "eligible dividends" under the Income Tax Act.

Iron Ore Company of Canada

The income of the Corporation is entirely dependent on IOC as the only assets of the Corporation and its subsidiary are related to IOC and its operations. IOC is one of Canada's largest iron ore producers, operating a mine, concentrator and pellet plant at Labrador City, Newfoundland and Labrador, and is among the top five producers of seaborne iron ore pellets in the world. It has been producing and processing iron ore concentrate and pellets since 1954. IOC is strategically situated to serve markets throughout the world from its year-round port facilities at Sept-Îles, Québec.

IOC has ore reserves sufficient for approximately 24 years at current production rates with additional resources of a greater magnitude. It currently has the nominal capacity to extract around 55 million tonnes of crude ore annually. The crude ore is processed into iron ore concentrate and then either sold or converted into many different qualities of iron ore pellets to meet its customers' needs. The iron ore concentrate and pellets are transported to IOC's port facilities at Sept-Îles, Québec via its wholly-owned QNS&L, a 418 kilometer rail line which links the mine and the port. From there, the products are shipped to markets throughout North America, Europe, the Middle East and the Asia-Pacific region.

IOC's 2022 sales tonnages totaled 16.3 million tonnes, comprised of 9.2 million tonnes of iron ore pellets and 7.1 million tonnes of iron ore concentrate. Saleable production in 2022 was 9.6 million tonnes of pellets and 7.9 million tonnes of CFS. IOC generated ore sales revenues (excluding third party ore sales) of $3,184 million in 2022 (2021 – $3,922 million).

Selected IOC Financial Information

	2022	2021	2020	2019	2018
			($ in millions)		
Operating Revenues[1]	3,426	4,147	3,099	2,719	1,930
Cash Flow from Operating Activities	1,021	1,955	837	1,302	578
Net Income	1,028	1,551	842	749	383
Capital Expenditures [2]	460	498	288	294	205

(1) 2022 and 2021 ore sales revenue is presented on a net basis (net of related freight costs) to align with IFRS financial statements presentation.

(2) Reported on an incurred basis.

IOC Royalty

The Corporation holds certain leases and licenses covering approximately 18,200 hectares of land near Labrador City. IOC has subleased certain portions of these lands from which it currently mines iron ore. In return, IOC pays the Corporation a 7% gross overriding royalty on all sales of iron ore products produced from these lands. A 20% tax on the royalty is payable to the Government of Newfoundland and Labrador. For the five years prior to 2022, the average royalty net of the 20% tax had been $150.2 million per year and in 2022 the net royalty was $184.6 million (2021 – $222.2 million).

Because the royalty is "off-the-top", it is not dependent on the profitability of IOC. However, it is affected by changes in sales volumes, iron ore prices and, because iron ore prices are denominated in US dollars, the United States – Canadian dollar exchange rate.

IOC Equity

In addition to the royalty interest, the Corporation directly and through its wholly owned subsidiary, Hollinger-Hanna, owns a 15.10% equity interest in IOC. The other shareholders of IOC are Rio Tinto Limited with 58.72% and Mitsubishi Corporation with 26.18%.

IOC Commissions

Hollinger-Hanna has the right to receive a payment of 10 cents per tonne on the products produced and sold by IOC. Pursuant to an agreement, IOC is obligated to make the payment to Hollinger-Hanna so long as Hollinger-Hanna is in existence and solvent. In 2022, Hollinger-Hanna received a total of $1.6 million in commissions from IOC (2021 – $1.7 million).

Quarterly Dividends

Dividends of $3.10 per share were declared in 2022 (2021 – dividends of $6.00 per share). These dividends were allocated as follows:

Period Ended	Record Date	Payment Date	Dividend Income per Share	Total Dividend ($ million)
Mar. 31, 2022	Mar. 31, 2022	Apr. 26, 2022	$ 0.50	$ 32.0
Jun. 30, 2022	Jun. 30, 2022	Jul. 26, 2022	0.90	57.6
Sep. 30, 2022	Sep. 29, 2022	Oct. 26, 2022	1.00	64.0
Dec. 31, 2022	Dec. 30, 2022	Jan. 26, 2023	0.70	44.8
Dividend to Shareholders – 2022			$ 3.10	$ 198.4
Mar. 31, 2021	Mar. 31, 2021	Apr. 26, 2021	$ 1.00	$ 64.0
Jun. 30, 2021	Jun. 30, 2021	Jul. 26, 2021	1.75	112.0
Sep. 30, 2021	Sep. 30, 2021	Oct. 26, 2021	2.10	134.4
Dec. 31, 2021	Dec. 31, 2021	Jan. 26, 2022	1.15	73.6
Dividend to Shareholders – 2021			$ 6.00	$ 384.0

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

The following is a discussion of the consolidated financial condition and results of operations of the Corporation for the years ended December 31, 2022 and 2021. This discussion should be read in conjunction with the consolidated financial statements of the Corporation and notes thereto for the years ended December 31, 2022 and 2021 which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all amounts are shown in Canadian dollars unless otherwise indicated.

Overview of the Business

The Corporation is a Canadian corporation resulting from the conversion of the Fund into a corporation under a plan of arrangement completed on July 1, 2010. LIORC is also the successor by amalgamation of a predecessor of LIORC with Labrador Mining Company Limited, formerly a wholly-owned subsidiary of the Fund, that occurred pursuant to the plan of arrangement.

The Corporation is economically dependent on the operations of IOC. IOC's earnings and cash flows are affected by the volume and mix of iron ore products produced and sold, costs of production and the prices received. Iron ore demand and prices fluctuate and are affected by numerous factors which include demand for steel and steel products, the relative exchange rate of the US dollar, global and regional demand and production, political and economic conditions and production costs in major producing areas.

Financial Highlights

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
	($ in millions except per share information)			
Revenue	48.3	60.1	232.9	279.7
Equity earnings from IOC	19.7	45.9	154.1	229.6
Net income	44.6	78.2	265.4	379.8
Net income per share	$ 0.70	$ 1.22	$ 4.15	$ 5.93
Dividend from IOC	15.4	48.5	69.1	227.8
Cash flow from operations	60.5	106.6	184.2	402.4
Cash flow from operations per share(1)	$ 0.95	$ 1.67	$ 2.88	$ 6.29
Adjusted cash flow(1)	41.9	81.6	197.8	382.6
Adjusted cash flow per share(1)	$ 0.65	$ 1.27	$ 3.09	$ 5.98
Dividends declared per share	$ 0.70	$ 1.15	$ 3.10	$ 6.00

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

The lower revenue, net income and equity earnings achieved in 2022 as compared to 2021 were mainly due to lower realized iron ore concentrate and pellet prices and lower sales tonnages. Iron prices were lower in 2022 than 2021 as higher inflation and global recessionary concerns and China's zero COVID-19 policy of strict lockdowns and concerns about China's property construction industry reduced the global demand for steel. Despite higher saleable production, total sales tonnages (pellets and CFS) at IOC were 3% lower in 2022 than 2021 predominantly due to inventory availability, and a significant weather event in December that affected the timing of sales in the fourth quarter.

Fourth quarter 2022 sales tonnages (pellets and CFS) were lower year-over-year by 11% despite higher saleable production, due to inventory availability and a significant weather event in December that affected the timing of sales. Royalty revenue was $47.6 million for the quarter as compared to $59.5 million for the same period in 2021. Fourth quarter 2022 cash flow from operations was $60.5 million or $0.95 per share compared to fourth quarter 2021 cash flow from operations of $106.6 million or $1.67 per share. LIORC received an IOC dividend in the fourth quarter of 2022 in the amount of $15.4 million or $0.24 per share (2021 – $48.5 million or $0.76 per share). Equity earnings from IOC amounted to $19.7 million or $0.31 per share in the fourth quarter of 2022 compared to $45.9 million or $0.72 per share for the same period in 2021.

Operating Highlights

IOC Operations	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Year Ended December 31, 2022	Year Ended December 31, 2021
	(in millions of tonnes)			
Sales(1)				
Pellets	1.94	2.89	9.17	9.97
Concentrate for sale ("CFS")(2)	2.02	1.55	7.21	6.87
Total(3)	3.96	4.44	16.38	16.84
Production				
Concentrate produced	4.76	4.77	19.09	17.89
Saleable production				
Pellets	2.29	2.54	9.61	9.99
CFS	2.02	1.72	7.95	6.58
Total(3)	4.31	4.25	17.56	16.57
Average index prices per tonne (US$)				
65% Fe index(4)	$ 111	$ 129	$ 139	$ 185
62% Fe index(5)	$ 99	$ 110	$ 120	$ 159
Pellet premium(6)	$ 61	$ 56	$ 72	$ 60

(1) For calculating the royalty to LIORC.
(2) Excludes third party ore sales.
(3) Totals may not add up due to rounding.
(4) The Platts index for 65% Fe, CFR China.
(5) The Platts index for 62% Fe, CFR China.
(6) The Platts Atlantic Blast Furnace 65% Fe pellet premium index.

IOC's total concentrate production in 2022 was 19.1 million tonnes. This was 7% higher than 2021, in part as a result of a lower strip ratio in 2022. IOC's total saleable production (CFS plus pellets) of 17.6 million tonnes in 2022 was 6% higher than 2021. In 2022, CFS production of 7.95 million tonnes was 21% higher than 2021, mainly due to higher concentrate production referred to above. Pellet production in 2022 of 9.6 million tonnes was 4% lower than 2021 mainly due to equipment reliability challenges, a negative stockpile survey adjustment and lower pellet recovery rates experienced during the year.

IOC sells CFS based on the 65% Fe index. In 2022, the average price for the 65% Fe index was US$139 per tonne, a decrease of 25% year over year, mainly due to a 5% decrease in global steel production. Despite the reduction in steel production, the demand for pellets held firm and as a result the decline in the price for pellets was mitigated by an increase in the pellet premium. The monthly pellet premium averaged US$72 per tonne in 2022, an increase of 20% from 2021. Based on sales as reported for the LIORC royalty, the overall average price realized by IOC for CFS and pellets, FOB Sept-Îles was approximately US$153 per tonne in 2022, a decrease of 19% year over year. The decrease in the average realized price FOB Sept-Îles in 2022 was a result of lower CFS and pellet prices.

Capital expenditures for IOC were $460 million in 2022. This was 8% lower than in 2021, but substantially higher than 2020. Capital expenditures in 2022 were 24% lower than the $606 million that IOC had originally forecasted for 2022, mainly because of the decision by IOC to defer certain capital projects, including the redesign of the tailings system, the rebuild of induration machine #3 at the pellet plant, and the construction of a parallel outgo rail track in Sept-Îles to improve the dumping speed and operational efficiency.

Liquidity and Capital Resources

The Corporation had $39.9 million (2021 – $82.9 million) in cash as at December 31, 2022 with total current assets of $83.0 million (2021 – $132.6 million). The Corporation had working capital of $29.0 million (2021 – $29.7 million). The Corporation's operating cash flow was $184.2 million (2021 – $402.4 million) and dividends paid during the year were $227.2 million, resulting in cash balances decreasing by $43.0 million during 2022.

Cash balances consist of deposits in Canadian dollars and US dollars with Canadian chartered banks. Accounts 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 the free cash flow generated from IOC 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 19, 2025 with provision for annual one-year extensions. No amount is currently drawn under this facility leaving $30 million available to provide for any capital required by IOC or requirements of the Corporation.

Selected Consolidated Financial Information

The following table sets out financial data from a Shareholder's perspective for the three years ended December 31, 2022, 2021 and 2020.

	Years Ended December 31		
Description	**2022**	**2021**	**2020**
	(in millions except per share information)		
Revenue	$ 232.9	$ 279.7	$ 202.3
Net Income	$ 265.4	$ 379.8	$ 227.2
Net Income per Share	$ 4.15	$ 5.93	$ 3.55
Cash Flow from Operations	$ 184.2(1)	$ 402.4(2)	$ 175.4(3)
Cash Flow from Operations per Share	$ 2.88(1)	$ 6.29(2)	$ 2.74(3)
Total Assets	$ 825.8	$ 789.3	$ 823.2
Dividends Declared per Share	$ 3.10	$ 6.00	$ 3.05
Number of Common Shares outstanding	64.0	64.0	64.0

(1) Includes IOC dividends totaling $69.1 million or $1.08 per Share.

(2) Includes IOC dividends totaling $227.8 million or $3.56 per Share.

(3) Includes IOC dividend totaling $86.6 million or $1.35 per Share.

The following table sets out quarterly revenue, net income, cash flow and dividend data for 2022 and 2021. Due to seasonal weather patterns the first and fourth quarters generally have lower production and sales. Royalty revenues and equity earnings in

IOC track iron ore spot prices, which can be very volatile. Dividends, included in cash flow, are declared and paid by IOC irregularly according to the availability of cash.

	Revenue	Net Income	Net Income per Share	Cash Flow from Operations	Cash Flow from Operations per Share	Adjusted Cash Flow per Share(1)	Dividends Declared per Share
	(in millions except per share information)						
2022							
First Quarter	$ 54.2	$ 63.2	$ 0.99	$ 4.1	$ 0.06	$ 0.47	$ 0.50
Second Quarter	$ 66.3	$ 78.4	$ 1.22	$ 41.1(2)	$ 0.64(2)	$ 0.88(2)	$ 0.90
Third Quarter	$ 64.1	$ 79.2	$ 1.24	$ 78.5(3)	$ 1.23(3)	$ 1.09(3)	$ 1.00
Fourth Quarter	$ 48.3	$ 44.6	$ 0.70	$ 60.5(4)	$ 0.95(4)	$ 0.65(4)	$ 0.70
2021							
First Quarter	$ 65.7	$ 86.6	$ 1.35	$ 42.7(5)	$ 0.67(5)	$ 0.87(5)	$ 1.00
Second Quarter	$ 79.2	$ 110.2	$ 1.72	$ 115.9(6)	$ 1.81(6)	$ 1.85(6)	$ 1.75
Third Quarter	$ 74.7	$ 104.8	$ 1.64	$ 137.3(7)	$ 2.15(7)	$ 1.99(7)	$ 2.10
Fourth Quarter	$ 60.1	$ 78.2	$ 1.22	$ 106.6(8)	$ 1.67(8)	$ 1.27(8)	$ 1.15

(1) *"Adjusted cash flow" (see below).*

(2) *Includes $19.6 million IOC dividend.*

(3) *Includes $34.2 million IOC dividend.*

(4) *Includes $15.4 million IOC dividend.*

(5) *Includes $19.0 million IOC dividend.*

(6) *Includes $74.4 million IOC dividend.*

(7) *Includes $85.8 million IOC dividend.*

(8) *Includes $48.5 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 $2.88 for 2022 (2021 – $6.29).

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 IFRS. The Directors believe that adjusted cash flow is a useful analytical measure as it better reflects cash available for distributions to Shareholders.

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

	2022	2021
	(in thousands except for per share information)	
Cash flow from operating activities	$184,191	$402,422
Changes in amounts receivable, accounts payable and income taxes recoverable and payable	13,559	(19,842)
Adjusted cash flow	$197,750	$382,580
Adjusted cash flow per share	$ 3.09	$ 5.98

Disclosure Controls and Internal Control over Financial Reporting

The President and CEO and the CFO are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Corporation. Two directors serve as directors of IOC and IOC provides monthly reports on its operations to them. The Corporation also relies on financial information provided by IOC, including its audited financial statements, and other material information provided to the President and CEO and the CFO by officers of IOC. IOC is a private corporation, and its financial statements are not publicly available.

The Directors are informed of all material information relating to the Corporation and its subsidiary by the officers of the Corporation on a timely basis and approve all core disclosure documents including the Management Information Circular, the annual and interim financial statements and related Management's Discussion and Analyses, the Annual Information Form, any prospectuses and all press releases. An evaluation of the design and operating effectiveness of the Corporation's disclosure controls and procedures was conducted under the supervision of the President and CEO and CFO. Based on their evaluation, they concluded that the Corporation's disclosure controls and procedures were effective in ensuring that all material information relating to the Corporation was accumulated and communicated for the year ended December 31, 2022.

The President and CEO and the CFO have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. An evaluation of the design and operating effectiveness of the Corporation's internal control over financial reporting was conducted under the supervision of the President and CEO and CFO. Based on their evaluation, they concluded that the Corporation's internal control over financial reporting was effective and that there were no material weaknesses therein for the year ended December 31, 2022.

The preparation of financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Corporation's reported financial results. Estimates are deemed critical when the Corporation's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods.

No material change in the Corporation's internal control over financial reporting occurred during the year ended December 31, 2022.

Forward-Looking Statements

This report may contain "forward-looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "would", "anticipate" and other similar terminology are intended to identify forward-looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this report. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly, including iron ore price and volume volatility; the performance of IOC; market conditions in the steel industry; fluctuations in the value of the Canadian and U.S. dollar; mining risks that cause a disruption in operations and availability of insurance; disruption in IOC's operations caused by natural disasters, severe weather conditions and public health crises, including the COVID-19 outbreak; failure of information systems or damage from cyber security attacks; adverse changes in domestic and global economic and political conditions; changes in government regulation and taxation; national, provincial and international laws, regulations and policies regarding climate change that further limit the emissions of greenhouse gases or increase the costs of operations for IOC or its customers; changes affecting IOC's customers; competition from other iron ore producers; renewal of mining licenses and leases; relationships with indigenous groups; litigation; and uncertainty in the estimates of reserves and resources. A discussion of these factors is contained in LIORC's annual information form dated March 7, 2023 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.

Additional information

Additional information relating to the Corporation, including the Annual Information Form, is on SEDAR at http://www.sedar.com. Additional information is also available on the Corporation's website at www.labradorironore.com.

John F. Tuer
President and Chief Executive Officer

Toronto, Ontario
March 7, 2023

MANAGEMENT'S REPORT

The consolidated financial statements are the responsibility of the management of Labrador Iron Ore Royalty Corporation (the "Corporation"). They have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, using management's best estimates and judgements, where appropriate.

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements and other financial information contained in this report. In the preparation of these consolidated financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying consolidated financial statements.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information. The Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control.

KPMG LLP, the independent auditors, have audited the Corporation's consolidated financial statements in accordance with Canadian generally accepted auditing standards.

John F. Tuer
President and Chief Executive Officer

Alan R. Thomas
Chief Financial Officer

Toronto, Ontario
March 7, 2023

INDEPENDENT AUDITOR'S REPORT

On August 4, 2022, the Board of Directors, upon the recommendation of the Audit Committee, approved the appointment of KPMG LLP as auditor. The prior year's auditor was PricewaterhouseCoopers LLP. The Corporation has included both auditor's reports.

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
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To the Shareholders of Labrador Iron Ore Royalty Corporation

Opinion

We have audited the consolidated financial statements of Labrador Iron Ore Royalty Corporation ("the Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statements of income and comprehensive income for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of changes in equity for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of impairment for investment in Iron Ore Company of Canada (IOC) and the IOC royalty and commission interests

Description of the matter

We draw attention to notes 3 (f) and (k) to the financial statements. The Entity's investment in IOC and the IOC royalty and commission interests are tested for impairment if there is an indicator of impairment. Management applies significant judgment in assessing whether indicators of impairment exist at the end of each reporting period including significant changes in long-term commodity prices and a decline in IOC's financial performance. In addition, ore reserves and resources estimates are applied in assessing the recoverability of the carrying value of the investment in IOC and the IOC royalty and commission interests. The carrying value of the investment in IOC and the IOC royalty and commission interests is $229 million and $514 million, respectively.

Why the matter is a key audit matter

We identified the evaluation of evidence of impairment for the investment in IOC and IOC royalty and commission interests as a key audit matter. This matter represented an area of higher assessed risk of material misstatement which required significant auditor judgment in evaluating the results of our procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We assessed the financial performance of IOC to determine whether there was evidence of a decline in financial performance by evaluating trends in IOC's revenues, net income and dividends paid to the Entity.
- We assessed the competence, capabilities and objectivity of the IOC personnel who prepared the ore reserve and resource estimates, including the industry and regulatory standards they applied.
- We evaluated IOC's estimate of ore reserves and resources by comparing IOC's historical estimates to actual production results.
- We assessed changes in long-term commodity prices by inspecting external market data.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 11, 2022.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. We obtained the information included in Management's Discussion and Analysis and Annual Report filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

The engagement partner on the audit resulting in this independent auditors' report is Heather Joan Cheeseman.

Chartered Public Accountants, Licensed Public Accountants

Toronto, Canada

March 7, 2023

Independent Auditor's Report

To the Shareholders of Labrador Iron Ore Royalty Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Labrador Iron Ore Royalty Corporation and its subsidiary (together, the Company) as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of income and comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
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In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

The engagement partner on the audit resulting in this independent auditor's report is Michael Eric Clarke.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 11, 2022

Labrador Iron Ore Royalty Corporation
Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	As at December 31, 2022	As at December 31, 2021
Assets		
Current Assets		
Cash	$ 39,904	$ 82,913
Amounts receivable (note 4)	42,758	49,681
Income taxes recoverable	357	—
Total Current Assets	83,019	132,594
Non-Current Assets		
Iron Ore Company of Canada ("IOC") royalty and commission interests (note 5)	228,918	235,341
Investment in IOC (note 6)	513,828	421,376
Total Non-Current Assets	742,746	656,717
Total Assets	$ 825,765	$ 789,311
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 9,286	$ 10,786
Dividend payable (note 7)	44,800	73,600
Taxes payable	—	18,625
Total Current Liabilities	54,086	103,011
Non-Current Liabilities		
Deferred income taxes (note 9)	134,220	122,240
Total Liabilities	188,306	225,251
Shareholders' Equity		
Share capital (note 10)	317,708	317,708
Retained earnings	324,821	257,772
Accumulated other comprehensive loss (note 11)	(5,070)	(11,420)
	637,459	564,060
Total Liabilities and Shareholders' Equity	$ 825,765	$ 789,311

See accompanying notes to consolidated financial statements.

Approved by the Directors,

John F. Tuer
Director

Patricia M. Volker
Director

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

(in thousands of Canadian dollars except for per share information)	For the Year Ended December 31, 2022	2021
Revenue		
IOC royalties	$ 230,709	$ 277,809
IOC commissions	1,613	1,657
Interest and other income	539	259
	232,861	279,725
Expenses		
Newfoundland royalty taxes	46,142	55,562
Amortization of royalty and commission interests	6,423	6,170
Administrative expenses	3,093	3,002
	55,658	64,734
Income before equity earnings and income taxes	177,203	214,991
Equity earnings in IOC (note 6)	154,103	229,590
Income before income taxes	331,306	444,581
Provision for income taxes (note 9)		
Current	54,998	66,338
Deferred	10,859	(1,529)
	65,857	64,809
Net income for the year	265,449	379,772
Other comprehensive income		
Share of other comprehensive income of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2022 – $1,121; 2021 – $339)	6,350	1,920
Comprehensive income for the year	$ 271,799	$ 381,692
Basic and diluted income per share (note 10)	$ 4.15	$ 5.93

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	For the Year Ended December 31, 2022	2021
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the year	$ 265,449	$ 379,772
Items not affecting cash:		
Equity earnings in IOC	(154,103)	(229,590)
Current income taxes	54,998	66,338
Deferred income taxes	10,859	(1,529)
Amortization of royalty and commission interests	6,423	6,170
Common share dividends from IOC	69,122	227,757
Change in amounts receivable	6,923	8,655
Change in accounts payable	(1,500)	(1,747)
Income taxes paid	(73,980)	(53,404)
Cash flow from operating activities	184,191	402,422
Financing		
Dividends paid to shareholders	(227,200)	(425,600)
Cash flow used in financing activities	(227,200)	(425,600)
Decrease in cash, during the year	(43,009)	(23,178)
Cash, beginning of year	82,913	106,091
Cash, end of year	$ 39,904	$ 82,913

See accompanying notes to consolidated financial statements.

Labrador Iron Ore Royalty Corporation
Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars except share amounts)	Common shares	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance as at December 31, 2020	64,000,000	$ 317,708	$ 262,000	$ (13,340)	$ 566,368
Net income for the year	—	—	379,772	—	379,772
Dividends declared to shareholders	—	—	(384,000)	—	(384,000)
Share of other comprehensive income from investment in IOC (net of taxes)	—	—	—	1,920	1,920
Balance as at December 31, 2021	64,000,000	$ 317,708	$ 257,772	$ (11,420)	$ 564,060
Balance as at December 31, 2021	64,000,000	$ 317,708	$ 257,772	$ (11,420)	$ 564,060
Net income for the year	—	—	265,449	—	265,449
Dividends declared to shareholders	—	—	(198,400)	—	(198,400)
Share of other comprehensive income from investment in IOC (net of taxes)	—	—	—	6,350	6,350
Balance as at December 31, 2022	64,000,000	$ 317,708	$ 324,821	$ (5,070)	$ 637,459

See accompanying notes to consolidated financial statements.

(in thousands of Canadian dollars)

1. Corporate Information and Economic Dependence

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 and a $0.10 per tonne commission interest on all iron ore products produced, sold and shipped by IOC, and certain lease interests and, accordingly, is economically dependent on IOC. The Corporation and Hollinger-Hanna were established under the laws of the *Canada Business Corporations Act*. 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.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on March 7, 2023.

2. Basis of Presentation

These consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements are prepared on a going concern basis, under the historical cost convention. All financial information is presented in Canadian dollars, except as otherwise noted.

3. Summary of Significant Accounting Policies

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Hollinger-Hanna. All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

(b) Financial instruments

The Corporation initially recognizes deposits, receivables and liabilities on the date that they were originated. All other financial assets and liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at fair value and in the case of a financial asset or liability not at fair value through profit or loss, plus or minus transaction costs that are directly attributable to its acquisition or issue. In subsequent periods, financial instruments are recorded at amortized cost.

Financial assets recorded at amortized cost include cash, short-term investments and amounts receivable. There are no financial assets recorded at fair value.

Financial liabilities recorded at amortized cost include accounts payable and dividend payable. There are no financial liabilities recorded at fair value.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in a transferred financial asset that is created or retained by the Corporation is recognized as a separate asset or liability.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(c) Investment in associate

The Corporation has a 15.1% equity and voting interest in its associate, IOC, and exercises significant influence over IOC through its legal ownership interest, combined with its representation on the board of directors, participation in policy-making and approval processes, and the mineral sublease agreements from the Corporation under which IOC conducts its operations near Labrador City, Newfoundland and Labrador. This investment is accounted for using the equity method.

The Corporation recognizes its share of IOC's earnings (loss) net of tax in the consolidated statements of income and comprehensive income which is adjusted against the carrying amount of its investment in IOC.

Unrealized gains and losses on transactions between the Corporation and IOC are eliminated to the extent of the Corporation's interest in this entity. Unrealized losses are eliminated only to the extent that there is no evidence of impairment.

The excess of the cost of the investment in IOC over the underlying book value at the date of acquisition is amortized on the unit-of-production method based on actual production in the current year and estimated production of iron ore over the life of mine at IOC. The rate of amortization is based on estimates of total proven and probable reserves and a portion of mineral resources, which may differ from actual.

(d) Revenue recognition

Royalty and commission revenue are based on iron ore produced, sold and shipped by IOC and are measured at the fair value of the consideration received or receivable. The Corporation recognizes revenue from these sales when control over the iron ore transfers to IOC's customer.

Royalty and commission revenue are recognized in an amount that reflects the consideration which the Corporation is entitled under the mineral sublease and for which collectability is reasonably assured.

(e) IOC royalty and commission interests

The royalty and commission interests are carried at cost less accumulated amortization. Amortization is recognized on the unit-of-production method based on actual production in the current year and estimated production of iron ore over the life of mine at IOC. The rate of amortization is based on estimates of total proven and probable reserves along with a portion of mineral resources, which may differ from actual.

(f) Asset impairment

At each balance sheet date, the Corporation's investment in IOC and the IOC royalty and commission interests are tested for impairment if there is an indicator of impairment. Impairment is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs of disposal or the value in use, is less than the carrying value.

Fair value less costs of disposal is best evidenced if obtained from an active market or binding sale agreement. Where neither exists, the fair value is based on the best estimates available to reflect the amount that could be received from an arm's length transaction.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the relevant asset for which the estimates of future cash flows have not been adjusted. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(g) Income taxes

The Corporation and Hollinger-Hanna are taxable corporations.

Current income taxes are measured at the amount expected to be paid to tax authorities, based on taxable profit for the period, net of recoveries using substantively enacted tax rates at the balance sheet date. Taxable income differs from income as reported in the consolidated statements of income and comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. Deferred income tax liabilities are recognized using the liability method on taxable temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that deductions can be utilized. Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or the liability settled, using enacted or substantively enacted tax rates at the statement of financial position date. Deferred income taxes are presented as non-current.

(h) Restricted share units

Restricted share units ("RSU") awarded to employees are recognized as compensation expense in the Consolidated Statements of Income and Comprehensive Income over the vesting period based on the number of RSUs expected to vest including the impact of expected forfeitures. RSUs are settled in cash and, as a result, are classified as a liability. The liability for vested RSUs is re-measured to fair value at each reporting date while they remain outstanding, with any changes in fair value recognized in compensation expense in the period.

(i) Foreign currency transactions

The Canadian dollar is the functional and presentation currency of the Corporation and Hollinger-Hanna. Amounts receivable and payable denominated in U.S. dollars are translated at exchange rates in effect at the balance sheet date and revenues and expenses denominated in U.S. dollars are translated at exchange rates in effect at the transaction date.

(j) Segment reporting

The Corporation manages its business under a single operating segment, consisting of its investment in IOC and its IOC royalty and commission interests. All of the Corporation's assets and revenues are attributable to this single segment. The operating segment is reported in a manner consistent with the internal reporting provided to the President and Chief Executive Officer who fulfills the role of the chief operating decision-maker.

(k) Critical judgments and estimates

The preparation of financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Corporation's reported financial results. Estimates are deemed critical when the Corporation's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods.

Critical judgments in applying accounting policies

Determination of significant influence over investment in IOC

The Corporation owns 15.1% of IOC. Judgment is needed to assess whether this interest meets the definition of significant influence and should be accounted for under the equity method. Management makes this determination based on its legal ownership interest, board representation and through an analysis of the Corporation's participation in IOC's policy making and approval process and mineral sublease agreements under which IOC conducts its operations.

Critical accounting estimates and assumptions

Ore reserves and resources

Reserves are estimates of the amount of product that can be economically and legally extracted from IOC's mining properties. These estimates are applied in determining the amortization of and assessing the recoverability of the carrying value of the investment in IOC and the IOC royalty and commission interest. In calculating reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, production decline rates, recovery rates, production costs, commodity demand, commodity prices and exchange rates. In addition, future changes in regulatory environments, including government levies or changes in the Corporation's rights to exploit the resource imposed over the producing life of the reserves and resources may also significantly impact estimates.

Asset impairment

The Corporation's investment in IOC and the IOC royalty and commission interests are tested for impairment if there is an indicator of impairment. Management applies significant judgment in assessing whether indicators of impairment exist at the end of each reporting period, such as significant changes in long-term commodity prices and a decline in IOC's financial performance. Where an indicator of impairment exists, a formal estimate of the recoverable amount, which is considered to be the higher of the fair value less costs of disposal and value in use, is made. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset(s) in an arm's-length transaction between knowledgeable and willing parties. Value in use for mineral assets is generally determined as the present values of estimated future cash flows arising from the continued use of the assets. These cash flows are discounted by an appropriate pre-tax discount rate to determine the estimated value in use. Projections inherently require assumptions and judgments to be made about each of the factors affecting future cash flows. Changes in any of these assumptions or judgments could result in a significant difference in the recoverable amount. Management considers the investment in IOC and the IOC royalty and commission interests to be a single combined cash generating unit.

4. Amounts Receivable

Amounts receivable consist of the following:

	2022	2021
IOC royalties	$ 42,482	$ 49,530
IOC commissions	150	136
Other	126	15
	$ 42,758	$ 49,681

5. IOC Royalty and Commission Interests

	2022	2021
7% Overriding royalty interest, at cost	$ 351,617	$ 351,617
Commission interest, at cost	13,661	13,661
Accumulated amortization	(136,360)	(129,937)
	$ 228,918	$ 235,341

6. 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 the company as at December 31, 2022 and 2021. The Series B and Series C common shares have identical voting rights to all other issued and outstanding common shares of IOC.

	2022	2021
Investment in IOC, beginning of year	$ 421,376	$ 417,284
Equity earnings in IOC	154,103	229,590
Other comprehensive gain (loss) of IOC	7,471	2,259
Common share dividend received	(69,122)	(227,757)
Investment in IOC, end of year	$ 513,828	$ 421,376

The Corporation's ability to exercise significant influence over IOC is achieved through its legal ownership interest, combined with its representation on the board of directors, participation in policy making processes and in approval processes, and the mineral sublease agreement under which IOC conducts its operations near Labrador City, Newfoundland and Labrador.

The excess of cost of the Investment in IOC over the book value of underlying net assets amounts to $39,152 (2021 – $40,251) and is being amortized to net income on the unit-of-production method based on actual production in the current year and estimated production of iron ore over the life of mine at IOC.

A summary of the financial information of IOC is as follows:

	2022	2021
Common share dividends received from IOC	$ 69,122	$ 227,757
Amounts per IOC's financial statements:		
Current assets	$ 1,042,621	$ 757,029
Non-current assets	4,091,524	3,767,102
Current liabilities	679,059	740,174
Non-current liabilities	1,338,424	1,290,331
Revenue	3,425,805	4,147,028
Net income	1,027,818	1,551,169
Other comprehensive income	49,476	14,961
Comprehensive income	1,077,294	1,566,130

Reconciliation of IOC's net assets to LIORC's investment per Statements of Financial Position:

	2022	2021
IOC net assets, beginning of year	2,500,197	2,470,302
Net income of IOC	1,027,818	1,551,169
Accounting policy alignment adjustments	—	(23,721)
Share based transactions with other shareholders	(2,012)	(4,189)
Other comprehensive income of IOC	49,476	14,961
Common share dividends declared and paid	(457,762)	(1,508,325)
IOC net assets, end of year	3,117,717	2,500,197
Ownership interest	15.1%	15.1%
Share of net assets	470,775	377,530
Adjustments:		
Excess cost over net book value	39,152	40,251
Other	3,901	3,595
Carrying value – Investment in IOC	513,828	421,376

Commitments

LIORC has no commitments from its investment in IOC that would give rise to future outflow of cash.

7. Dividends to Shareholders

A cash dividend of $0.70 per common share was declared by the Directors of the Corporation payable to shareholders of record on December 30, 2022 and paid on January 26, 2023.

Total dividends to shareholders as declared by the Directors of the Corporation in 2022 were $198,400 or $3.10 per share (2021 – $384,000 or $6.00 per share).

On March 7, 2023 a cash dividend of $0.50 per common share was declared by the Directors of the Corporation payable to shareholders of record on March 31, 2023 and to be paid on April 26, 2023.

8. Debt

The Corporation has a $30,000 revolving senior secured credit facility maturing on September 19, 2025 with provision for annual one year extensions. The credit facility provides for various forms of advances at the option of the Corporation. Various interest options are available for these revolving credits and a standby fee is payable on the unadvanced portion of the facility. The facility is secured by an assignment of the Corporation's and Hollinger-Hanna's interests in the IOC common shares, the IOC royalty and commission interests, and other assets of the Corporation and requires that the Corporation maintain certain financial ratios. The Corporation is in compliance with all covenants.

As at December 31, 2022, no amount was drawn on the credit facility (2021 – nil) leaving $30,000 available to provide for any investment in IOC or other Corporation requirements.

9. Income Taxes

The provision for income taxes in the statements of income and 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:

	2022	2021
Income before income taxes	$ 331,306	$ 444,581
Income taxes at combined federal and provincial statutory tax rates of 30.0%	99,392	133,374
Increase (decrease) in income taxes resulting from:		
Undistributed equity earnings in investment in IOC	(23,115)	(34,439)
Equity earnings distributed as dividends	(10,368)	(34,164)
Other	(52)	38
Income tax expense	$ 65,857	$ 64,809

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

The deferred tax liability is comprised of the following:

	Opening Balance	Recognized in net income	Recognized in other comprehensive income	Closing Balance
December 31, 2021				
Difference in tax and book value of assets	$ 123,925	$ (1,575)	$ 339	$ 122,689
Tax benefit of deductible temporary differences	(495)	46	—	(449)
Net deferred income tax liability	$ 123,430	$ (1,529)	$ 339	$ 122,240
December 31, 2022				
Difference in tax and book value of assets	$ 122,689	$ 10,816	$ 1,121	$ 134,627
Tax benefit of deductible temporary differences	(449)	43	—	(407)
Net deferred income tax liability	$ 122,240	$ 10,859	$ 1,121	$ 134,220

The deferred tax liability attributable to the difference in tax and book value of the IOC royalty and commission interests is $68,675 (2021 – $70,602). The deferred tax liability attributable to the difference in tax and book value of the investment in IOC is $65,950 (2021 – $52,085).

10. Share Capital

The Corporation's authorized share capital includes an unlimited number of common shares (64 million common shares issued and outstanding) having no par value as at December 31, 2022 and 2021.

There are no instruments with rights to convert to common shares and accordingly, the weighted average number of shares during the year is 64 million shares and the Corporation's net income per share represents both basic and diluted.

11. Capital Management

The Corporation's capital consists of the shareholders' equity (2022 – $637,459 and 2021 – $564,060) and the undrawn revolving senior secured credit facility of $30,000. The Directors are responsible for managing the investments and affairs of the Corporation, which consist mainly of the receipt of revenues from IOC and the payment of dividends to the shareholders, in a manner that retains sufficient liquidity to provide funds to protect its investment in IOC. The Corporation pays cash dividends of the net income to the maximum extent possible, subject to the maintenance of appropriate levels of working capital.

12. Fair Value of Financial Instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest-bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument.

The carrying value of amounts of cash, amounts receivable, accounts payable and dividends payable to shareholders approximate their fair value because of the short-term nature of these items.

Such fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of the Corporation's financial instruments.

13. Financial Instrument Risk Management

Commodity price risk

The Corporation is dependent on royalty income, commissions and dividends received from IOC. IOC's earnings and cash flows are affected by the volume of iron ore products sold, the price of those products, operating costs, and currency movements. The demand for and price of iron ore fluctuate as a result of numerous factors outside the control of the Corporation and IOC. Such factors include, but are not limited to, the demand for steel and steel products, global and regional demand, political and economic conditions, and production conditions and costs in major producing regions.

Based on gross royalties for the year ended December 31, 2022, an increase or decrease in sale price of iron ore by 5% with all other variables held constant could have a favourable or unfavourable impact of approximately $6,460 (2021 – $7,779), respectively, on net income.

Currency risk

The Corporation derives dividends and royalty income from IOC denominated in US dollars. From time to time the Corporation may enter into financial agreements with banks and other financial institutions to reduce the underlying risks associated with this foreign currency denominated income. As at December 31, 2022 and 2021, there were no foreign exchange contracts outstanding.

Based on financial instrument balances as at December 31, 2022, a strengthening or weakening of the Canadian dollar to the U.S. dollar by 1% with all other variables held constant could have an unfavourable or favourable impact of approximately $236 (2021 – $290), respectively, on net income.

Based on gross royalties for the year ended December 31, 2022, a strengthening or weakening of the Canadian dollar to the U.S. dollar by 1% with all other variables held constant could have an unfavourable or favourable impact of approximately $1,352 (2021 – $1,578), respectively, on net income.

Liquidity risk

Liquidity risk is the risk of loss from not having access to sufficient funds to meet both expected and unexpected cash demands. The Corporation manages its exposure to liquidity risk through prudent management of its statement of financial position, including maintaining sufficient cash balances and access to undrawn credit facilities. Management monitors and reviews both actual and forecasted cash flows.

As at December 31, 2022 the Corporation held $39,904 in cash and cash equivalents (2021 – $82,913). The Corporation's financial liabilities of $54,086 (2021 – $103,011) are due within one year.

Credit risk

The Corporation is exposed to credit risk with respect to amounts receivable from IOC, with whom there is no history of credit losses or uncollectibility. The Corporation is economically dependent on IOC. The Corporation maintains all of its cash with financial institutions having a minimum debt rating of A.

14. Key Management Personnel Compensation

Key management personnel are the President and Chief Executive Officer, Executive Vice President, the Chief Financial Officer, the Secretary and directors. Their remuneration for the year ended December 31, 2022 was comprised of salaries, bonus, RSUs accrued to date and fees totaling $1,488 (2021 – $1,630).

15. 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 December 31, 2022, there were 13,844 (2021 – 13,761) RSUs awarded and outstanding. For the year ended December 31, 2022, compensation expense of $296 (2021 – $450) was accrued in connection with the RSUs, respectively.

Corporate Information

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Douglas F. McCutcheon(2)
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Asset Management Ltd

Dorothea E. Mell(2)
Company Director

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

John F. Tuer
President and Chief Executive Officer
Labrador Iron Ore Royalty Corporation

Patricia M. Volker(2)
Company Director

Officers

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) *Chair of the Board*
(2) *Member of Audit and Governance and Human Resources Committees*
(3) *Lead Director*

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