LABRADOR IRON ORE
ROYALTY CORPORATION

219

THIRD QUARTER REPORT

81 YEARS IN LABRADOR WEST

REPORT TO HOLDERS OF COMMON SHARES

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

The Directors of Labrador Iron Ore Royalty Corporation ("LIORC" or the "Corporation") present the third quarter report for the period ended September 30, 2019.

Royalty revenue for the third quarter of 2019 amounted to $45.5 million, as compared to $44.0 million for the third quarter of 2018. Equity earnings from IOC amounted to $32.0 million or $0.50 per share in the third quarter of 2019 as compared to $30.6 million or $0.48 per share in the third quarter of 2018. Net income was $57.5 million or $0.90 per share for the third quarter of 2019 compared to $58.1 million or $0.91 per share for the same period in 2018. Cash flow from operations for the third quarter was $72.6 million or $1.13 per share as compared to $59.7 million or $0.93 per share for the same period in 2018. LIORC received a dividend from Iron Ore Company of Canada ("IOC") in the third quarter of 2019 in the amount of $40.1 million or $0.63 per share, as compared to $58.6 million or $0.92 per share in the third quarter of 2018.

The royalty revenue, cash flow from operations and equity earnings for the third quarter of 2019 were marginally higher than the third quarter of 2018, as a result of lower sales tonnages offset by higher realized prices.

The average price for the Platts index for 62% Fe Iron Ore, CFR China ("62% Fe index") increased 53% to US$102 per tonne in the third quarter of 2019 compared to the average price in the third quarter of 2018 of US$67 per tonne. IOC's total sales tonnage for calculating the royalty payable to LIORC on concentrate for sale ("CFS") plus pellets of 4.5 million tonnes was 17% lower in the third quarter of 2019 compared to the same period in 2018, largely as a result of pellet tonnages being 27% lower due to lower pellet production amounts, changes in customer demand and timing of shipments. The CFS sales tonnages in the third quarter of 2019 were 7% lower than in the third quarter of 2018 mainly due to timing.

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

(in millions except per share information)	**3 Months Ended Sept. 30, 2019**	**3 Months Ended Sept. 30, 2018**	**9 Months Ended Sept. 30, 2019**	**9 Months Ended Sept. 30, 2018**
	(Unaudited)			
Revenue	$ 46.2	$ 44.6	$ 138.7	$ 84.1
Cash flow from operations	$ 72.6	$ 59.7	$ 145.4	$ 95.5
Operating cash flow per share	$ 1.13	$ 0.93	$ 2.27	$ 1.49
Net income	$ 57.5	$ 58.1	$ 157.9	$ 85.1
Net income per share	$ 0.90	$ 0.91	$ 2.47	$ 1.33

Iron Ore Company of Canada Operations

Production

Total concentrate production in the third quarter of 2019 was 5.4 million tonnes, as a result of better weight yield in September offsetting lower throughput in July and August. This was 7% higher than the third quarter of 2018, and 19% higher than the second quarter of 2019, which was negatively impacted by a delay in the restart after the planned annual outage in June as a result of a flooding issue. Pellet production as a percentage of total production was lower for the quarter as pellet production was negatively impacted by lower induration machine availability. As a result, pellet production in the third quarter of 2019 of 2.7 million tonnes was 11% lower than the third quarter of 2018 but 17% higher than the previous quarter. CFS production in the third quarter of 2019 of 2.4 million tonnes was 24% higher than in the third quarter of 2018 and 17% higher than the previous quarter.

Total concentrate production for the nine months of 2019 was 14.3 million tonnes. This was 34% higher than the same period in the prior year, largely as a result of the work stoppage experienced during the second quarter of 2018.

Sales as Reported for the LIORC Royalty

Total iron ore tonnage sold by IOC (CFS plus pellets) of 4.5 million tonnes was 17% lower in the third quarter of 2019 compared to the same period in 2018 largely as a result of pellet sales tonnages being 27% lower than in the same period in 2018. The CFS sales tonnages in the third quarter of 2019 were 7% lower than in the third quarter of 2018. As stated above, pellet sales tonnages were lower as a result of lower pellet production and changes in customer demand. In addition, sales of pellets and CFS were also lower due to timing and breakdowns on Reclaimer 1 and Shiploader 3 at the terminal in September.

Total iron ore tonnage sold by IOC (CFS plus pellets) for the nine months of 2019 was 12.6 million tonnes. This was 28% higher than the same period in the prior year, largely as a result of the work stoppage experienced during the second quarter of 2018.

IOC sells CFS based on the Platts index for 65% Fe Iron Ore, CFR China ("65% Fe index"). The average price for the 65% Fe index was US$110 per tonne in the third quarter of 2019, a 17% increase over the average price in the third quarter of 2018 of US$94 per tonne, and 5% lower than the average price in the second quarter of 2019 of US$115 per tonne. While the average seaborne iron ore prices remained attractive from a historical perspective, significant declines in pricing occurred during the quarter, as increased supply came to market and steel producers struggling with low margins cut back on demand. Steel producers continued to substitute higher quality iron ore with cheaper lower quality iron ore. As a result, the premium for the 65% Fe index compared to the 62% Fe index, which had been expanding over the last few years decreased in the third quarter of 2019 to 7%, as compared to 41% in the third quarter of 2018 and 15% in the second quarter of 2019. Pellet premiums also decreased as high underlying benchmark prices caused buyers to reduce demand. The quarterly Atlantic Basin blast furnace pellet premium, as reported by

Platts, averaged US$56 per tonne in the third quarter of 2019, a 3% decrease over the third quarter of 2018 and 17% lower than the second quarter of 2019.

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

	3 Months Ended Sept. 30, 2019	3 Months Ended Sept. 30, 2018	9 Months Ended Sept. 30, 2019	9 Months Ended Sept. 30, 2018	Year Ended Dec. 31, 2018
Pellets	2.04	2.79	7.17	5.81	8.41
Concentrates(1)	2.46	2.64	5.43	4.04	6.70
Total(2)	4.51	5.43	12.60	9.86	15.10

(1) Excludes third party ore sales

(2) Totals may not add up due to rounding

Outlook

IOC's total saleable production (CFS and pellets) for the first nine months was 13.6 million tonnes. In its third quarter operations review, Rio Tinto maintained the 2019 full year guidance for IOC's saleable production (CFS and pellets) on a 100% basis at between 18.2 and 19.3 million tonnes. Lower third quarter sales due to timing and breakdowns on Reclaimer 1 and Shiploader 3, resulted in an increase of inventories at the Terminal. IOC expects to reduce those inventories to more typical levels in the fourth quarter.

Despite significant price declines from peak pricing in July, benchmark prices for concentrate remain attractive relative to historical levels. The average price in October for the 62% Fe index was US$90 per tonne as compared to the average in September of US$93 per tonne and the average for the third quarter of US$102 per tonne. On November 12, 2019 the price for the 62% Fe index was US$81. Premiums for higher grade concentrate and pellets remain under pressure as steel producers reduce demand and continue to substitute lower grade product for higher quality product.

On October 25 Vale announced that Samarco is expected to restart its operations by the end of 2020, following the construction of a filtration system. Samarco expects to be able to produce approximately 7 to 8 million tonnes per annum of pellets. According to Vale, a second concentrator could be restarted in approximately 6 years to reach a range of production of approximately 14 to 16 million tonnes per annum, and the restart of a third concentrator could happen in about 10 years, when Samarco expects to reach annual production volume in a range of approximately 22 to 24 million tonnes. While the restart will bring added supply to the market, the announced restart schedule outlines a slower ramp-up of production than many industry commentators had anticipated.

The LIORC net working capital (current assets less current liabilities) as at September 30, 2019 was $29.2 million. During the third quarter net working capital increased by

$1.6 million as a result of adjusted cash flow of $65.6 less declared dividends of $64.0 million.

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

John F. Tuer
President and Chief Executive Officer
November 13, 2019

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis section of the Corporation's 2018 Annual Report, and the financial statements and notes contained therein and the September 30, 2019 interim condensed consolidated financial statements. The Corporation's revenues are entirely dependent on the operations of IOC as its principal assets relate to the operations of IOC and its principal source of revenue is the 7% royalty it receives on all sales of iron ore products by IOC. In addition to the volume of iron ore sold, the Corporation's royalty revenue is affected by the price of iron ore and the Canadian – U.S. dollar exchange rate.

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

The royalty revenue, cash flow from operations and equity earnings for the third quarter of 2019 were marginally higher than the third quarter of 2018, as a result of lower sales tonnages offset by higher realized prices.

Royalty revenue for the third quarter of 2019 amounted to $45.5 million, as compared to $44.0 million for the third quarter of 2018. Equity earnings from IOC amounted to $32.0 million or $0.50 per share in the third quarter of 2019 as compared to $30.6 million or $0.48 per share in the third quarter of 2018. Net income was $57.5 million or $0.90 per share for the third quarter of 2019 compared to $58.1 million or $0.91 per share for the same period in 2018. Cash flow from operations for the third quarter was $72.6 million or $1.13 per share as compared to $59.7 million or $0.93 per share for the same period in 2018. LIORC received a dividend from IOC in the third quarter of 2019 in the amount of $40.1 million or $0.63 per share, as compared to $58.6 million or $0.92 per share in the third quarter of 2018.

The average price for 62% Fe index increased 53% to US$102 per tonne in the third quarter of 2019 compared to the average price in the third quarter of 2018 of US$67 per tonne. IOC's total sales tonnage for calculating the royalty payable to LIORC on CFS plus pellets of 4.5 million tonnes was 17% lower in the third quarter of 2019 compared to the same period in 2018, largely as a result of pellet tonnages being 27% lower than in the same period in 2018 due to lower pellet production amounts, changes in customer demand and timing of shipments. The CFS sales tonnages in the third quarter of 2019 were 7% lower than in the third quarter of 2018 mainly due to timing.

Total concentrate production in the third quarter of 2019 was 5.4 million tonnes, as a result of better weight yield in September offsetting lower throughput in July and August. This was 7% higher than the third quarter of 2018, and 19% higher than the second quarter of 2019, which was negatively impacted by a delay in the restart after the planned annual outage in June as a result of a flooding issue. Pellet production as a percentage of total production was lower for the quarter as pellet production was negatively impacted by lower induration machine availability. As a result, pellet production in the third quarter of

2019 of 2.7 million tonnes was 11% lower than the third quarter of 2018 but 17% higher than the previous quarter. CFS production in the third quarter of 2019 of 2.4 million tonnes was 24% higher than in the third quarter of 2018 and 17% higher than the previous quarter.

Total concentrate production for the nine months of 2019 was 14.3 million tonnes. This was 34% higher than the same period in the prior year, largely as a result of the work stoppage experienced during the second quarter of 2018.

Total iron ore tonnage sold by IOC (CFS plus pellets) of 4.5 million tonnes was 17% lower in the third quarter of 2019 compared to the same period in 2018 largely as a result of pellet sales tonnages being 27% lower than in the same period in 2018. The CFS sales tonnages in the third quarter of 2019 were 7% lower than in the third quarter of 2018. As stated above, pellet sales tonnages were lower as a result of lower pellet production and changes in customer demand. In addition, sales of pellets and CFS were also lower due to timing and breakdowns on Reclaimer 1 and Shiploader 3 at the terminal in September.

Total iron ore tonnage sold by IOC (CFS plus pellets) for the nine months of 2019 was 12.6 million tonnes. This was 28% higher than the same period in the prior year, largely as a result of the work stoppage experienced during the second quarter of 2018.

IOC sells CFS based on the 65% Fe index. The average price for the 65% Fe index was US$110 per tonne in the third quarter of 2019, a 17% increase over the average price in the third quarter of 2018 of US$94 per tonne, and 5% lower than the average price in the second quarter of 2019 of US$115 per tonne. While the average seaborne iron ore prices remained attractive from a historical perspective, significant declines in pricing occurred during the quarter, as increased supply came to market and steel producers struggling with low margins cut back on demand. Steel producers continued to substitute higher quality iron ore with cheaper lower quality iron ore. As a result, the premium for the 65% Fe index compared to the 62% Fe index, which had been expanding over the last few years decreased in the third quarter of 2019 to 7%, as compared to 41% in the third quarter of 2018 and 15% in the second quarter of 2019. Pellet premiums also decreased as high underlying benchmark prices caused buyers to reduce demand. The quarterly Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US$56 per tonne in the third quarter of 2019, a 3% decrease over the third quarter of 2018 and 17% lower than the second quarter of 2019.

Results for the nine months were affected by the same factors as affected the three month period. Royalty and commission interests amortization expense increased by $1.1 million for the nine months compared to the same period in 2018 due to the increase in production. The 2018 production was negatively impacted by a nine-week work stoppage.

The following table sets out quarterly revenue, net income, cash flow and dividend data for 2019, 2018 and 2017.

	Revenue	Net Income	Net Income per Share	Cash Flow	Cash Flow from Operations per Share	Adjusted Cash Flow per Share[1]	Dividends Declared per Share
	(in millions except per share information)						
2019							
First Quarter	$ 39.2	$ 39.3	$ 0.61	$ 25.0	$ 0.39	$ 0.34	$ 1.05
Second Quarter	$ 53.3	$ 61.1	$ 0.95	$ 47.8[2]	$ 0.75[2]	$ 0.86[2]	$ 0.90
Third Quarter	$ 46.2	$ 57.5	$ 0.90	$ 72.6[3]	$ 1.13[3]	$ 1.02[3]	$ 1.00
2018							
First Quarter	$ 34.3	$ 30.3	$ 0.47	$ 20.3	$ 0.32	$ 0.29	$ 0.35
Second Quarter	$ 5.2	$ (3.2)	$ (0.05)	$ 15.5	$ 0.24	$ 0.04	$ 0.25
Third Quarter	$ 44.6	$ 58.1	$ 0.91	$ 59.7[4]	$ 0.93[4]	$ 1.30[4]	$ 0.55
Fourth Quarter	$ 46.8	$ 43.4	$ 0.68	$ 53.3[5]	$ 0.83[5]	$ 0.79[5]	$ 0.60
2017							
First Quarter	$ 43.4	$ 42.9	$ 0.67	$ 28.2[6]	$ 0.44[6]	$ 0.53[6]	$ 0.50
Second Quarter	$ 34.2	$ 32.3	$ 0.50	$ 45.6[7]	$ 0.71[7]	$ 0.53[7]	$ 0.60
Third Quarter	$ 40.4	$ 43.8	$ 0.69	$ 53.6[8]	$ 0.84[8]	$ 0.85[8]	$ 1.00
Fourth Quarter	$ 40.6	$ 38.3	$ 0.60	$ 39.6[9]	$ 0.62[9]	$ 0.65[9]	$ 0.55

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

(2) *Includes $25.4 million IOC dividend.*

(3) *Includes $40.1 million IOC dividend.*

(4) *Includes $58.6 million IOC dividend.*

(5) *Includes $25.3 million IOC dividend.*

(6) *Includes $10.0 million IOC dividend.*

(7) *Includes $15.2 million IOC dividend.*

(8) *Includes $32.2 million IOC dividend.*

(9) *Includes $19.3 million IOC dividend.*

Standardized Cash Flow and Adjusted Cash Flow

For the Corporation, standardized cash flow is the same as cash flow from operating activities as recorded in the Corporation's cash flow statements as the Corporation does not incur capital expenditures or have any restrictions on dividends. Standardized cash flow per share was $1.13 for the quarter (2018 – $0.93). Cumulative standardized cash flow from inception of the Corporation is $29.74 per share and total cash distributions since inception is $29.29 per share, for a payout ratio of 99%.

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

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

	3 Months Ended Sept. 30, 2019	3 Months Ended Sept. 30, 2018	9 Months Ended Sept. 30, 2019	9 Months Ended Sept. 30, 2018
Standardized cash flow from operating activities	$ 72,646	$ 59,756	$ 145,446	$ 95,529
Changes in amounts receivable, accounts payable and income taxes payable	(7,049)	23,325	(3,557)	8,524
Adjusted cash flow	$ 65,597	$ 83,081	$ 141,889	$ 104,053
Adjusted cash flow per share	$ 1.02	$ 1.30	$ 2.22	$ 1.63

Liquidity and Capital Resources

The Corporation had $62.7 million in cash as at September 30, 2019 (December 31, 2018 – $80.5 million) with total current assets of $112.9 million (December 31, 2018 – $127.0 million). The Corporation had working capital of $29.1 million as at September 30, 2019 (December 31, 2018 – $76.3 million). The Corporation's operating cash flow for the quarter was $72.6 million and the dividend paid during the quarter was $57.6 million, resulting in cash balances increasing by $15.0 million during the third quarter of 2019.

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

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

The Corporation has a $30 million revolving credit facility with a term ending September 18, 2022 with provision for annual one-year extensions. No amount is currently drawn under this facility (2018 – nil) leaving $30.0 million available to provide for any capital required by IOC or requirements of the Corporation.

Outlook

IOC's total saleable production (CFS and pellets) for the first nine months was 13.6 million tonnes. In its third quarter operations review, Rio Tinto maintained the 2019 full year guidance for IOC's saleable production (CFS and pellets) on a 100% basis at between 18.2 and 19.3 million tonnes. Lower third quarter sales due to timing and breakdowns on Reclaimer 1 and Shiploader 3, resulted in an increase of inventories at the Terminal. IOC expects to reduce those inventories to more typical levels in the fourth quarter.

Despite significant price declines from peak pricing in July, benchmark prices for concentrate remain attractive relative to historical levels. The average price in October for the 62% Fe index was US$90 per tonne as compared to the average in September of US$93 per tonne and the average for the third quarter of US$102 per tonne. On November 12, 2019 the price for the 62% Fe index was US$81. Premiums for higher grade concentrate and pellets remain under pressure as steel producers reduce demand and continue to substitute lower grade product for higher quality product.

On October 25 Vale announced that Samarco is expected to restart its operations by the end of 2020, following the construction of a filtration system. Samarco expects to be able to produce approximately 7 to 8 million tonnes per annum of pellets. According to Vale, a second concentrator could be restarted in approximately 6 years to reach a range of production of approximately 14 to 16 million tonnes per annum, and the restart of a third concentrator could happen in about 10 years, when Samarco expects to reach annual production volume in a range of approximately 22 to 24 million tonnes. While the restart will bring added supply to the market, the announced restart schedule outlines a slower ramp-up of production than many industry commentators had anticipated.

The LIORC net working capital (current assets less current liabilities) as at September 30, 2019 was $29.2 million. During the third quarter net working capital increased by $1.6 million as a result of adjusted cash flow of $65.6 less declared dividends of $64.0 million.

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

John F. Tuer
President and Chief Executive Officer
November 13, 2019

Forward-Looking Statements

This report may contain "forward-looking" statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "would", "anticipate" and other similar terminology are intended to identify forward-looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this report. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly, including iron ore price and volume volatility, exchange rates, the performance of IOC, market conditions in the steel industry, mining risks and insurance, the renewal of the mining leases, outcomes of existing or future litigation, relationships with aboriginal groups, changes affecting IOC's customers, competition from other iron ore producers, estimates of reserves and resources and government regulation and taxation. A discussion of these factors is contained in LIORC's annual information form dated March 7, 2019 under the heading, "Risk Factors". Although the forward-looking statements contained in this report are based upon what management of LIORC believes are reasonable assumptions, LIORC cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this report and LIORC assumes no obligation, except as required by law, to update any forward-looking statements to reflect new events or circumstances. This report should be viewed in conjunction with LIORC's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Notice:

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

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

(in thousands of Canadian dollars)	As at September 30, 2019	As at December 31, 2018
	(Unaudited)	
Assets		
Current Assets		
Cash and short-term investments	$ 62,741	$ 80,495
Amounts receivable (note 4)	50,204	46,548
Total Current Assets	112,945	127,043
Non-Current Assets		
Iron Ore Company of Canada (“IOC”) royalty and commission interests	249,250	253,846
Investment in IOC (note 5)	403,908	382,704
Total Non-Current Assets	653,158	636,550
Total Assets	$ 766,103	$ 763,593
Liabilities and Shareholders’ Equity		
Current Liabilities		
Accounts payable	$ 10,572	$ 9,969
Dividend payable	64,000	38,400
Taxes payable	9,223	2,613
Total Current Liabilities	83,795	50,982
Non-Current Liabilities		
Deferred income taxes (note 6)	123,680	121,760
Total Liabilities	207,475	172,742
Shareholders’ Equity		
Share capital	317,708	317,708
Retained earnings	249,784	280,759
Accumulated other comprehensive loss	(8,864)	(7,616)
	558,628	590,851
Total Liabilities and Shareholders’ Equity	$ 766,103	$ 763,593

See accompanying notes to interim condensed consolidated financial statements.

Approved by the Directors,

John F. Tuer
Director

Patricia M. Volker
Director

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

(in thousands of Canadian dollars except for per share information)	For the Three Months Ended September 30, 2019	2018
	(Unaudited)	
Revenue		
IOC royalties	$ 45,484	$ 43,979
IOC commissions	443	534
Interest and other income	259	43
	46,186	44,556
Expenses		
Newfoundland royalty taxes	9,097	8,796
Amortization of royalty and commission interests	1,663	1,733
Administrative expenses	787	842
	11,547	11,371
Income before equity earnings and income taxes	34,639	33,185
Equity earnings in IOC	32,002	30,600
Income before income taxes	66,641	63,785
Provision for income taxes (note 6)		
Current	10,874	10,429
Deferred	(1,704)	(4,705)
	9,170	5,724
Net income for the period	57,471	58,061
Other comprehensive (loss) income		
Share of other comprehensive (loss) income of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2019 – $36; 2018 – $205)	(206)	1,274
Comprehensive income for the period	$ 57,265	$ 59,335
Net income per share	$ 0.90	$ 0.91

See accompanying notes to interim condensed consolidated financial statements.

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

(in thousands of Canadian dollars except for per share information)	For the Nine Months Ended September 30, 2019	2018
	(Unaudited)	
Revenue		
IOC royalties	$ 136,590	$ 82,871
IOC commissions	1,240	970
Interest and other income	870	256
	138,700	84,097
Expenses		
Newfoundland royalty taxes	27,318	16,574
Amortization of royalty and commission interests	4,596	3,523
Administrative expenses	2,346	2,512
	34,260	22,609
Income before equity earnings and income taxes	104,440	61,488
Equity earnings in IOC	88,346	39,189
Income before income taxes	192,786	100,677
Provision for income taxes (note 6)		
Current	32,712	19,550
Deferred	2,156	(3,985)
	34,868	15,565
Net income for the period	157,918	85,112
Other comprehensive (loss) income		
Share of other comprehensive (loss) income of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2019 – $220; 2018 – $215)	(1,248)	1,219
Comprehensive income for the period	$ 156,670	$ 86,331
Net income per share	$ 2.47	$ 1.33

See accompanying notes to interim condensed consolidated financial statements.

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

(in thousands of Canadian dollars)	For the Nine Months Ended September 30, 2019	2018
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	$ 157,918	$ 85,112
Items not affecting cash:		
Equity earnings in IOC	(88,346)	(39,189)
Current income taxes	32,712	19,550
Deferred income taxes	2,156	(3,985)
Amortization of royalty and commission interests	4,596	3,523
Common share dividend from IOC	65,565	58,592
Change in amounts receivable	(3,656)	(2,088)
Change in accounts payable	603	567
Income taxes paid	(26,102)	(26,553)
Cash flow from operating activities	145,446	95,529
Financing		
Dividends paid to shareholders	(163,200)	(73,600)
Cash flow used in financing activities	(163,200)	(73,600)
(Decrease) increase in cash, during the period	(17,754)	21,929
Cash, beginning of period	80,495	40,498
Cash, end of period	$ 62,741	$ 62,427

See accompanying notes to interim condensed consolidated financial statements.

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

(in thousands of Canadian dollars)	**Share capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Total**
		(Unaudited)		
Balance as at December 31, 2017	$ 317,708	$ 264,272	$ (8,391)	$ 573,589
Net income for the period	—	85,112	—	85,112
Dividends declared to shareholders	—	(73,600)	—	(73,600)
Share of other comprehensive income from investment in IOC (net of taxes)	—	—	1,219	1,219
Balance as at September 30, 2018	$ 317,708	$ 275,784	$ (7,172)	$ 586,320
Balance as at December 31, 2018	$ 317,708	$ 280,759	$ (7,616)	$ 590,851
Adjustment on initial application of IFRS 16 (note 3)		(93)		(93)
Net income for the period	—	157,918	—	157,918
Dividends declared to shareholders	—	(188,800)	—	(188,800)
Share of other comprehensive loss from investment in IOC (net of taxes)	—	—	(1,248)	(1,248)
Balance as at September 30, 2019	$ 317,708	$ 249,784	$ (8,864)	$ 558,628

See accompanying notes to interim condensed consolidated financial statements.

(in thousands of Canadian dollars)

1. Corporate Information

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

Seasonality

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

2. Basis of Presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed. The Corporation adopted IFRS 16, *Leases* on January 1, 2019, and accordingly, certain accounting policies have changed in preparing these financial statements from those used for the December 31, 2018 audited financial statements of the Corporation. Changes to significant accounting policies are outlined in Note 3.

These interim condensed consolidated financial statements and management's discussion and analysis were authorized for issuance by the Board of Directors of the Corporation on November 13, 2019.

3. Significant Accounting Policies

Except as noted below, these interim condensed consolidated financial statements have been prepared using the same accounting policies as the annual consolidated financial statements for the year ended December 31, 2018. The disclosure in these interim condensed consolidated financial statements does not include all requirements of IAS 1

Presentation of Financial Statements. Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

IFRS 16 Leases (“IFRS 16”)

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. IFRS 16 does not apply to leases of mineral rights. The Corporation has no major leases but is impacted by the standard through its Investment in IOC.

Impact of transition to IFRS 16

IOC adopted IFRS 16 using the modified retrospective approach and accordingly, the information presented for 2017 has not been restated. It remains as previously reported under IAS 17 and related interpretations. IOC’s lease agreements relate primarily to leases of residential real property, equipment and vehicles. On initial application, IOC recognized right-of-use assets of $12,333, lease obligations of $13,410 and a reduction to retained earnings of approximately $722. The impact on the Corporation was a decrease in investment in IOC of $109, a decrease in deferred income taxes of $16 and a decrease in retained earnings of $93.

4. Amounts Receivable

	September 30, 2019	**December 31, 2018**
IOC royalties	$ 49,955	$ 46,241
IOC commissions	114	178
Other	135	129
	$ 50,204	$ 46,548

5. Investment in IOC

The Corporation holds, directly and through Hollinger-Hanna, all of the Series B and Series C common shares of IOC, representing a 15.10% equity interest in IOC as at September 30, 2019 and December 31, 2018. The Series B and Series C common shares have identical voting rights to all other issued and outstanding common shares of IOC.

	September 30, 2019	**December 31, 2018**
Investment in IOC, beginning of period	$ 382,704	$ 408,691
Equity earnings in IOC	88,346	56,987
Other comprehensive (loss) income of IOC	(1,468)	912
Adjustment on initial application of IFRS 16 (note 3)	(109)	—
Common share dividend received	(65,565)	(83,886)
Investment in IOC, end of period	$ 403,908	$ 382,704

The net excess of cost of the Investment in IOC over the net book value of the Corporation's proportionate interest in the underlying net assets of IOC amounts to $42,630 as at September 30, 2019 (December 31, 2018 – $43,416) and is being amortized to net income on the units-of-production method based on production and mineral reserve and resource estimates at IOC.

6. Income Taxes

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Income before income taxes	$ 66,641	$ 63,785	$ 192,786	$ 100,677
Income taxes at combined federal and provincial statutory tax rates of 30.0%	19,992	19,136	57,836	30,203
(Decrease) increase in income taxes resulting from:				
Undistributed equity earnings in investment in IOC	(4,800)	(4,590)	(13,252)	(5,878)
Equity earnings distributed as dividends	(6,019)	(8,789)	(9,835)	(8,789)
Other	(3)	(33)	119	29
Income tax expense	$ 9,170	$ 5,724	$ 34,868	$ 15,565

The deferred tax liability is comprised of the following:

	Opening Balance	Recognized in net income	Recognized in other comprehensive income (loss)	Closing Balance
December 31, 2018				
Difference in tax and book value of assets	$ 127,885	$ (5,591)	$ 137	$ 122,431
Tax benefit of deductible temporary differences	(665)	(6)	—	(671)
Net deferred income tax liability	$ 127,220	$ (5,597)	$ 137	$ 121,760
September 30, 2019				
Difference in tax and book value of assets	$ 122,431	$ 2,045	$ (220)	$ 124,256
Adjustment on initial application of IFRS 16 (note 3)	(16)	—	—	(16)
Tax benefit of deductible temporary differences	(671)	111	—	(560)
Net deferred income tax liability	$ 121,744	$ 2,156	$ (220)	$ 123,680

7. Key Management Personnel Compensation

Key management personnel are the President and Chief Executive Officer, Executive Vice Presidents, the Chief Financial Officer, the Secretary and directors. Their remuneration for the three months ended September 30, 2019 was comprised of salaries, restricted share units ("RSUs"), and fees totaling $284 (2019 – $314). Their remuneration for the nine months ended September 30, 2019 was comprised of salaries, RSUs, and fees totaling $1,016 (2018 – $1,046).

8. Share-based payments

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

Under the Plan, selected employees receive an award of RSUs which vest in three equal installments on each of the first, second and third anniversary of the award date. Upon vesting all RSUs are paid in cash to the employee. The share-based payment expense is recognized evenly over the vesting period. As at September 30, 2019, there were 16,915 RSUs outstanding. For the three month and nine month period ended September 30, 2019, compensation expense of approximately $4 (2018 – $45) and $188 (2018 – $85) was accrued in connection with the RSUs.

Corporate Information

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Directors

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William J. Corcoran(1)
Company Director

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

William H. McNeil
Company Director

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

Patricia M. Volker(1)
Company Director

Officers

William H. McNeil
Non- Executive Chairman of the Board

John F. Tuer
President and Chief Executive Officer

James C. McCartney
Executive Vice President

Sandra L. Rosch
Executive Vice President

Alan R. Thomas
Chief Financial Officer

Robert O. Hansen
Secretary

(1) Member of Audit, Nominating and Compensation Committees

Registrar & Transfer Agent

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Stock Exchange Listing

The Toronto Stock Exchange

Symbol

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