LABRADOR IRON ORE ROYALTY CORPORATION

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2019

March 5, 2020

LABRADOR IRON ORE ROYALTY CORPORATION

ANNUAL INFORMATION FORM

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LABRADOR IRON ORE ROYALTY CORPORATION

LIORC

Labrador Iron Ore Royalty Corporation ("**LIORC**"), a corporation existing under the *Canada Business Corporations Act*, was 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 ("**LabMin**"), 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 Limited ("**Hollinger-Hanna**"), holds a 15.10% equity interest (the "**IOC Equity**") in Iron Ore Company of Canada ("**IOC**"). LIORC receives a 7% gross overriding royalty (the "**Royalty**") and Hollinger-Hanna receives a 10 cent per tonne fee (the "**Fee**") on all iron ore products produced and sold by IOC.

LIORC normally pays cash dividends of the net income derived from IOC to the maximum extent possible, subject to the maintenance of appropriate levels of working capital. However, there have been times where the Board of Directors of LIORC has determined that it has been appropriate to draw down on its cash reserves and other times where it has been prudent to build cash reserves back up. The Directors anticipate continuing to return cash to shareholders to the maximum extent possible, subject to the adjustments referred to above. The shareholders currently receive quarterly dividends on the common shares on the 25th day of the month following the end of each quarter.

As at December 31, 2019, LIORC had 64 million common shares outstanding. The common shares trade on the Toronto Stock Exchange under the symbol LIF. 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.

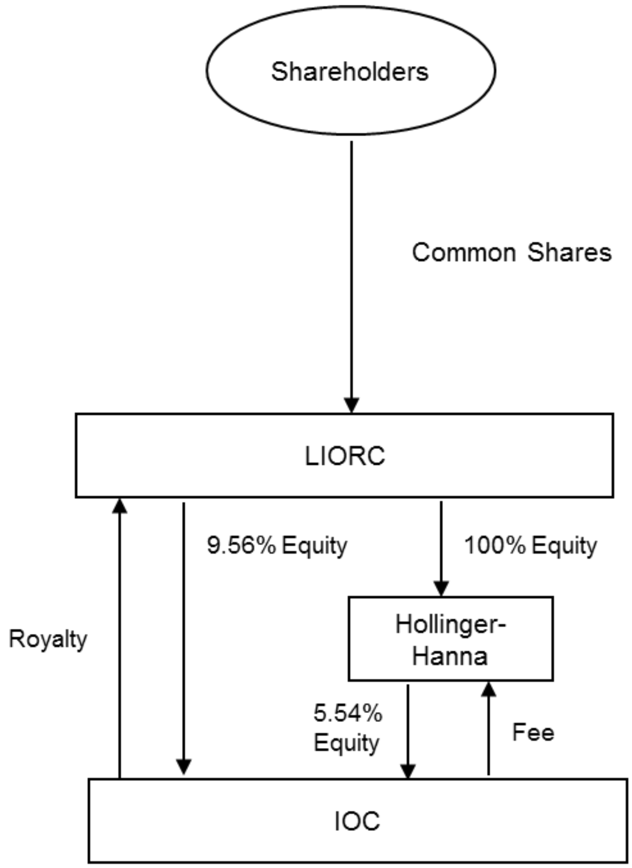
The registered office of LIORC is located at Suite 1000, Scotia Centre, 235 Water Street, St. John's, Newfoundland and Labrador, A1C 1B6. Administration and Investor Relations can be contacted at P.O. Box 957, STN Adelaide Toronto, Ontario M5C 2K3 or (416) 362-0066.

Hollinger-Hanna Limited

Hollinger-Hanna, a wholly-owned subsidiary of LIORC, was continued on May 28, 1980 under the *Canada Business Corporations Act*. Hollinger-Hanna holds a 5.54% equity interest in IOC and is entitled to the Fee on all iron ore products sold and shipped by IOC. Pursuant to an agreement with IOC, the Fee is payable on all sales for so long as Hollinger-Hanna is in existence and solvent.

Corporate Structure

The following diagram sets forth the organizational structure of LIORC and its subsidiary.



GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History (2017-2019)

The Royalty

The Royalty received by LIORC from IOC depends on sales volumes, prices and, because sales are in U.S. dollars, the U.S.-Canadian dollar exchange rate. A three-year history follows.

2017 was a year of continuing improvement. The average price for the Platts index for 62% Fe iron ore CFR China ("**62% Fe index**") rose by 22% year-over-year, but the prices were volatile. 62% Fe index prices reached U.S.$94 per tonne of concentrate for sale in February 2017, then fell to the low for the year of U.S.$54 per tonne in June. In the second half of the year 62% Fe index prices rose to a high of U.S.$80 per tonne in August and then were in the U.S.$60 to $70 per tonne range for the balance of the year. In terms of concentrate for sale production, the first and third quarters of 2017 were each the best on record. Pellet production was affected in the second and third quarters by scheduled refurbishment of pellet lines. In 2017, IOC sales volumes were 10.4 million tonnes for pellets and 8.6 million tonnes for concentrate for sale. The Canadian dollar, relative to the U.S. dollar, was also up and down during the year, reflecting concerns over the NAFTA negotiations and interest rates.

There were several major developments in 2018. First, there was the work stoppage from March 27 to May 28, 2018. A new five-year collective agreement was reached and the ramp-up to normal production rates was achieved by the end of June. Sales for the second quarter of 2018 were restricted by the availability of product as port inventories had to be rebuilt. In the third quarter of 2018 concentrate production continued to be preferentially directed to the pellet plant due to the strong pellet demand and premiums. In 2018, IOC sales volumes were 8.4 million tonnes for pellets and 6.6 million tonnes for concentrate for sale. The Wabush 3 Pit was officially opened on September 25, 2018, and renamed the Moss Pit in recognition of the geologic and exploration contribution to IOC by Dr. A.E. Moss. The availability of the Moss Pit is expected to enhance the overall mine production, reduce overall mining unit costs due to a lower waste stripping ratio, improve IOC's ability to blend ores to meet client specifications, and extend the mine life. The average 62% Fe index price decreased 3% year-on-year to U.S.$69 per tonne in 2018. It was range-bound between U.S.$62 and U.S.$70 per tonne for most of the year and rose to U.S.$73 per tonne at the end of the year. IOC sells its concentrate for sale based on the Platts index for 65% Fe iron ore CFR China ("**65% Fe index**"), which averaged U.S.$90 per tonne in 2018. Atlantic Basin blast furnace pellet premiums, as reported by Platts ("**Platts pellet premium**"), improved to average U.S.$59 per tonne in 2018, up by 31% from the 2017 average premium of U.S.$45. There was strong demand for IOC's high grade iron ore products which allow steelmakers to improve efficiency, reduce emissions and produce higher quality steel.

2019 was a year of relatively high prices. The iron ore prices and premiums were strong until July 2019 when reduced margins for steelmakers globally began to adversely affect the seaborne iron ore market and pellet premiums. The 62% Fe index prices remained high, averaging U.S.$93 per tonne in 2019. However, the 62% Fe index prices moved from a monthly average of U.S.$76 per tonne in January 2019, peaked at U.S.$126 per tonne on July 3, 2019, and then declined to U.S.$92 per tonne at year end. Most importantly for LIORC, since IOC sells concentrate based on the 65% Fe index price, this price averaged U.S.$104 per tonne in 2019. The Platts pellet premium averaged U.S.$57 per tonne in 2019, down 3% from 2018 but still a very substantial premium. The Platts pellet premium contracted sharply starting in July 2019 due to margin squeeze, again as a result of steelmakers reducing demand as they resisted the prices in the published indexes. While the average iron ore prices and premiums were generally favourable in 2019, IOC production and sales were impacted by a series of events, including issues with the ore delivery system from the mine to the concentrator, unplanned power outages, a flooding event, lower induration machine availability in the pellet plant, breakdowns of port equipment and, as relates pellets, changes in customer demand. In 2019, IOC sales volumes were 9.6 million tonnes for pellets and 7.6 million tonnes for concentrate for sale.

Long-Term Debt

LIORC has a $30 million revolving senior secured credit facility with a term ending September 18, 2022. Each year LIORC may request a one year extension of the maturity date. The credit facility provides for various forms of advances at the option of the company. Various interest options are available for the revolving credit and a standby fee is payable on the unadvanced portion of the facility. The facility is secured by an assignment of LIORC's and Hollinger-Hanna's interests in the IOC Equity, the Royalty and the Fee and requires that LIORC maintain certain financial ratios.

As at December 31, 2019, there was no amount drawn under the credit facility.

IOC Financial Information

The financial information for IOC provided herein has been prepared in accordance with Generally Accepted Accounting Principles in the United States. The amounts would not be materially different if prepared in accordance with International Financial Reporting Standards.

THE BUSINESS

History of Operations

LIORC holds the Royalty, a 9.56% equity interest in IOC, a 100% interest in Hollinger-Hanna (which holds a 5.54% equity interest in IOC), and certain other passive assets.

The Royalty

LIORC holds 12 long-term leases and six licences (collectively, the "**Labrador Leases**") from the Government of Newfoundland and Labrador covering approximately 18,200 hectares of land near Labrador City. LIORC's leasehold interests authorize mining and mineral extraction, whereas the licences grant LIORC exclusive authority to explore such lands for mineralization. Labrador City is approximately 410 kilometres by railway from Sept-Îles, Québec, a deep water port located on the Gulf of St. Lawrence. The Labrador Leases include all mineral interests contained upon or under the lands, excluding oil and natural gas rights. Active mining is presently being conducted on four of the 12 leases covering approximately 4,544 hectares of land.

The 12 leases which constitute the leasehold portion of the Labrador Leases were initially granted in 1960, 1962, 1965 and 1971 and were for terms of 30 years with the right to renew the leases for two additional 30 year terms. In accordance with their terms, all 12 leases were renewed in 1990 for second terms of 30 years which, subject to their renewal right for a third term, will expire in 2020, 2022, 2025 and 2031. Notice of renewal of 10 of the Labrador Leases at the end of the second term was given in 2017. The Ministry of Natural Resources has advised that the renewal leases are in the course of preparation.

Six licences were initially issued in 1962 for 40 year terms, and one was issued in 1964 for a 40 year term. The six licences were converted to map staked licences in 2002 and two of these were grouped together in 2004. All of these were extended for five years on July 15, 2007, July 15, 2012 and again on July 15, 2017. The remaining licence was converted to a map staked licence in 2004, and was extended for five years on January 5, 2009, January 5, 2014 and again on January 5, 2019. Map staked licences confer the exclusive right to explore for a period of five years, subject to assessment work, and the holder has a right to apply for three five year extensions. After the third five-year extension, licenses can be held for a further ten years, subject to more stringent assessment requirements and annual extensions to the licenses.

On February 25, 1953, LIORC entered into a sublease agreement with IOC (as amended from time to time, the "**sublease**") whereby LIORC leased to IOC mineral interests in iron ore on certain lands ("**IOC Lands**"). Subject to certain reserve allocations between LIORC and IOC, the sublease provided that, in consideration for the Royalty, IOC had the right to extract all of the iron ore from some of the IOC Lands and two-thirds of the iron ore from certain other of the IOC Lands, while LIORC retained the right to one-third of the iron ore present on or under such other lands. On August 31, 2006, agreement was reached with IOC to simplify the sublease with LIORC granting IOC rights to mine 100% of the ore for the Royalty. The previously excluded Wabush 3 property was included in the sublease in consideration of a 7% royalty on sales of iron ore products derived from that property. Parts of the Knight deposit previously held exclusively by IOC were also included in the sublease and subject to a 7% royalty.

As of September 1, 2006, LIORC and IOC entered into an amended and restated sublease ("**Labrador Sublease**") to amend and restate the original sublease agreement dated February 25, 1953 and 7 amendments dated June 2, 1965, December 31, 1970, June 28, 1974, January 1, 1986, May 25, 1995, June 1, 2000 and August 31, 2006. The Labrador Sublease is a consolidation of the predecessor documents, with deletions of parts that are no longer applicable.

In addition to the Royalty payable to LIORC, IOC is obligated to pay certain amounts to the Government of Newfoundland and Labrador on behalf of LIORC in order to maintain the Labrador Leases, including annual rental payments and a mining tax of 5% of profits as defined in the Labrador Leases. A 20% Government of Newfoundland and Labrador royalty tax, which is deducted at source and remitted by IOC, is also payable pursuant to the *Mining and Mineral Rights Tax Act* (Newfoundland).

IOC's mining operations are conducted on lands governed by four of the 12 leases, which have terms expiring in 2020 and 2022. IOC's proven and probable reserves are located on these four leases, including the Moss Pit (Wabush 3). The resources are located on the same four leases plus three additional leases. Notice of renewal of these leases for a 30 year term was given in 2017.

The Labrador Sublease has a term equal to the term of each Labrador Lease less one day including any renewal term of such lease. IOC can terminate the Labrador Sublease with respect to all or a portion of the IOC Lands by providing LIORC with seven calendar months' notice. In this event, LIORC has the right to acquire IOC's mining and production facilities at a negotiated or arbitrated price.

As provided in the Labrador Sublease, the Royalty is paid in U.S. dollars quarterly (on a calendar basis in arrears) on April 25, July 25, October 25 and January 25 in each year in amounts equal to 7% of the selling price FOB Sept-Îles, Québec for each iron ore product produced, sold and shipped by IOC during the applicable quarterly period. Some spot sales are on a CFR basis and are adjusted to FOB to calculate the royalty. Subject to adjustment, the Royalty must be paid in respect of minimum volumes of iron ore. The Labrador Sublease provides for a maximum payment in situations where premium-priced products are developed in the future. If the price of a premium-priced iron ore product exceeds the market price for a similar concentrate or pellet product by 10%, then the Royalty is based on the market price for the similar concentrate or pellet product rather than the market price for the premium-priced iron ore product.

LIORC currently retains all non-iron ore mineral rights with respect to the Labrador Leases. LIORC believes that the exploration potential of such licences and leases for non-iron ore mineralization is not high.

The IOC Equity

IOC is currently owned by three shareholders, including LIORC (directly and through Hollinger-Hanna). The shares of common stock are divided into seven series. Dividends are paid equally in respect of all shares and the shares are in all respects identical to one another. The IOC shareholders and their respective interests in IOC are as follows: Rio Tinto 58.72%, Mitsubishi Corporation 26.18% and LIORC 15.10%.

The declaration of dividends by the directors of IOC is discretionary. In 2017, LIORC received dividends of U.S.$7.55 million or approximately Cdn. $10.0 million, U.S.$11.3 million or approximately Cdn. $15.2 million, U.S.$26.4 million or approximately Cdn. $32.2 million and U.S.$15.1 million or approximately Cdn. $19.3 million. In 2018, LIORC received dividends of U.S.$45.3 million or approximately Cdn. $58.6 million and U.S.$18.875 million or approximately Cdn. $25.3 million. In 2019, LIORC received dividends of U.S.$18.9 million or approximately Cdn. $25.4 million, U.S.$30.2 million or approximately Cdn. $40.1 million and U.S. $34.0 million or approximately Cdn. $44.6 million.

Pursuant to IOC's amended and restated certificate of incorporation, its common shares may be transferred in accordance with certain terms and conditions, which include the requirement that such shares be first offered to the other shareholders of IOC on a pro rata basis. Further, to the extent such shareholders do not acquire the shares offered for sale, then all shareholders must consent to the transfer of the remaining shares to any proposed transferee. All existing shareholders have a pre-emptive right to participate in any issuance of stock of IOC on a pro rata basis.

Hollinger-Hanna

LIORC also owns a 100% interest in Hollinger-Hanna, which holds a 5.54% equity interest in IOC. Hollinger-Hanna was previously involved in marketing iron ore for IOC. In return for relinquishing the right to market IOC's iron ore, Hollinger-Hanna receives the Fee on all iron ore products sold and shipped by IOC. The Fee is payable for so long as Hollinger-Hanna is in existence and solvent.

Employees

LIORC and Hollinger-Hanna have no employees other than the officers listed under "Directors and Officers" in this Annual Information Form.

IRON ORE COMPANY OF CANADA

General

IOC was incorporated under the laws of the State of Delaware on November 18, 1949. IOC commenced production at Labrador City, Newfoundland and Labrador in 1962. IOC produces all of its iron ore from the IOC Lands. Iron ore is used in blast furnaces to produce pig iron or in direct reduction facilities and is subsequently transformed into steel.

All information relating to IOC in this Annual Information Form has been provided by the management of IOC. All financial information for IOC is in U.S. dollars.

IOC's principal business is mining the iron ore present on the IOC Lands leased under the Labrador Sublease and operating the associated mining facilities and plants required for the production of iron ore concentrate and pellets. These facilities are located at Labrador City. In normal circumstances, IOC operates its facilities 24 hours a day on a year round basis. Management of IOC has advised that the company has the nominal capacity to process up to 55 million tonnes of crude ore annually. In 2019, a total of 43 million tonnes of crude ore was mined from three operating pits. IOC's concentrating plant has a nominal capacity to produce approximately 23.3 million tonnes of iron ore concentrate per year, depending on ore quality, for either direct shipping or as feed to IOC's pellet plant. In 2019, about 19.0 million tonnes of concentrate were produced.

IOC's pellet plant has a nominal capacity of roughly 12.5 million tonnes of iron ore pellets per year on the current product mix. In 2019, IOC produced 7.9 million tonnes of concentrate for sale and 10.1 million tonnes of pellets. Concentrate for sale and pellets are shipped by the Québec North Shore & Labrador Railway Company, Inc. ("**QNS&L**"), a wholly-owned subsidiary of IOC, from IOC's mining facilities in Labrador City, Newfoundland and Labrador to Sept-Îles, Québec where IOC also owns and operates a marine terminal with materials storage and docking facilities. From the Sept-Îles deep water port, IOC's products are shipped to markets throughout the world on a year round basis.

Mineral Reserves and Resources

IOC's active mining operations are conducted in the Labrador City area (the "**Mine**"). IOC has operated the Mine for 58 years. IOC holds its interest in the Mine pursuant to the Labrador Sublease. In 2019 iron ore was extracted from three operating pits. The iron ore deposits in the Labrador City area occur as specular hematite and magnetite, generally in the ratio of 65:35. The mineral reserve and mineral resource deposits, with an average grade of approximately 38% iron, occupy the middle iron unit of the Sokoman formation overlain by waste rock. The deposits are intricately folded and overturned. The iron ore mineral reserve and mineral resource deposits at the Mine are close to the surface thereby facilitating open pit mining.

The total estimated iron ore mineral reserves and resources at the Mine at December 31, 2019, as estimated by IOC, were as follows:

	Tonnes (in millions)	Average Iron Ore Grade (Fe %)
Proven Reserves	560	38.6
Probable Reserves	693	38.1
Total Mineral Reserves	1253	38.4
Measured Resources	151	40.9
Indicated Resources	669	38.4
Total Measured and Indicated Mineral Resources	820	38.8
Inferred Resources	972	38.0

Notes:

1. Mineral Resources exclude Mineral Reserves.
2. Mineral resources are reported on an in-situ basis and mineral reserves are reported on an as-mined (i.e. net of dilution and mining losses) basis. In-situ and as-mined material is reported on a dry basis.
3. Reserves have been estimated by Peter Ziemendorf who meets the criteria for being a Qualified Person, as defined by National Instrument 43-101 and who is a full time employee of IOC. Resources have been estimated by Ramsey Way, Beverly Power and Mervin McDonald who meet the criteria for being Qualified Persons, as defined by National Instrument 43-101 and who are all full time employees of IOC.
4. Reserves comprise all economically viable oxide mineralised material within the Middle Iron Formation of the Sokoman Formation. Limonitically altered material, however, is excluded from Reserves in all deposits except Humphrey Main. For the Humphrey Main deposit, limonitically altered ore is included in Reserves. Resources include limonitically altered material in all deposits. No cut-off grade has been applied within the Middle Iron Formation, since all mineralised material is economically viable (i.e. above 25% weight yield). Current operating practice at IOC is to process all mineralised material from the Middle Iron Formation. Economic viability of both Mineral Reserves and Mineral Resources is determined using industry standard pit optimization software with projected long term selling prices and operating costs.
5. Most of the assays and density determinations used in the reserve and resource estimates have been carried out by the IOC laboratory. QA/QC protocols have been in place since 2004. Assay standards are inserted after each 12th sample and duplicate assays are carried out on every 50^{th} sample. A limited number of twinned holes have been compared to validate the assays from holes drilled before the commencement of the QA/QC program. The sampling protocol has been reviewed and the chain of custody of samples has been reviewed on an ad-hoc basis, although this is not part of the routine QA/QC process. Reconciliations of modelled ore tonnes and qualities against measured tonnes and qualities are carried out monthly, to validate the reserve models.
6. Numbers presented may not add up precisely to the totals provided due to rounding.

Mineral Reserves decreased by 44 million tonnes in 2019. This comprised:

i. a 43 million tonne decrease due to 2019 mine production;

ii. a 10 million tonne increase due to geological model changes, resulting from in-fill drilling;

iii. a 23 million tonne increase due to changes to pit designs. A second phase at the Sherwood North pit was added in the Humphrey Main deposit (13 million tonne increase) and the lower benches of the Luce west wall were steepened, due to improved rock strength (10 million tonne increase); and

iv. a 34 million tonne decrease due to adverse changes to project economics (cost increases).

Measured and Indicated Mineral Resources decreased by 63 million tonnes. This comprised:

i. a 1 million tonne decrease due to 2019 mine production of limonitic ore, which is reported in Resources, rather than Reserves;

ii. a 15 million tonne decrease, due to geological model changes, resulting from in-fill drilling;

iii. a 26 million tonne decrease, due to Resource transfers to Reserves; and

iv. a 21 million tonne decrease, due to economic changes (cost increases).

Inferred Mineral Resources decreased by 62 million tonnes. This comprised:

i. a 1 million tonne decrease, due to geological model changes, resulting from in-fill drilling;

ii. a 2 million decrease due to transfer to reserves; and

iii. a 58 million tonne decrease, due to economic changes (cost increases).

The estimated Proven and Probable Reserves of crude iron ore located on IOC Lands are approximately 1.3 billion tonnes which will produce approximately 0.5 billion tonnes of saleable product (pellets and concentrate). At the planned processing rate, the estimated Proven and Probable Reserves of crude iron ore are equivalent to approximately 25 years production. The annual stripping ratio for IOC's reserves generally ranges between 0.9 and 1.7 tonnes of waste per tonne of ore, with an average of 1.3. In addition to the Proven and Probable Reserves, there are also estimated Measured and Indicated Resources of 0.8 billion tonnes and a further 1.0 billion tonnes of Inferred Resources.

Mine

Mining is carried out using open pit techniques, which involve the drilling, blasting and hauling of waste rock and ore. Broken ore is loaded by electric shovels and transported by truck to either the Automatic Train Operation (ATO) or the Parallel Ore Delivery System (PODS). The ATO system consists of four underground loading pockets where the as-mined ore is transferred from mine haul trucks to unmanned automatic trains. The automatic trains carry broken ore from the loading pockets to a crusher located adjacent to IOC's processing facilities, a distance of between 8 and 12 kilometres from the loading pockets. The PODS consists of a gyratory crusher located adjacent to the Luce Pit and an overland conveyor. The conveyor carries crushed ore a distance of 6 kilometres to the concentrator. Currently the mine and the automatic train and conveyor have a nominal capacity to deliver up to 55 million tonnes per annum of ore to the concentrator.

Concentrator

IOC employs an entirely mechanical process to separate the ore from the waste rock. In order to extract the iron ore from the associated rock and silica gangue, the crushed ore is ground to a size of approximately one millimetre at which point it is liberated from the associated undesirable minerals. The grinding is currently done in four wet mills.

Ground ore is then concentrated in the spiral plant using gravity spirals to increase the iron content from 38% to approximately 65%. The spirals utilize the forces of gravity, centrifugal action and friction to separate the heavier iron ore grains from the lighter waste rock particles. The ground ore slurry must pass through three successive stages of spiralling (including rougher, cleaner and recleaner) before the concentrate is of sufficient grade and can be conveyed to a stockpile for direct shipping or used as feed for the pelletizing plant. A magnetic separation plant extracts magnetite from the spiral plant's tailings, while a hematite recovery plant recovers fine particles of hematite from the tailings of the magnetic separation plant.

In 2019, concentrate production was about 19.0 million tonnes. The ratio of tonnes of iron ore concentrate produced to the total tonnes of crude ore fed into the concentrator (the iron ore weight yield) was 42.7%.

In the period 2008 to 2014, IOC undertook expansion programs to increase its annual concentrate production. After completion of commissioning and optimization of the production system, IOC's nominal concentrate production capacity is approximately 23.3 million tonnes per year, subject to ore quality.

In 2019, approximately 41.6% of IOC's concentrate production was sold as concentrate for sale while the remaining production was converted into pellets at IOC's pelletizing plant before sale. IOC's production of concentrate for sale and pellets is sold to steel manufacturers. IOC seeks to maximise margins by optimising its product offerings of concentrate for sale and pellets according to changing market pricing.

Pellet Plant

In order for iron ore concentrate to be used in a blast furnace, it must first be converted into either sinter, which is typically produced on-site at the steel making facilities, or converted into iron ore pellets at a pelletizing plant, such as the one at IOC's production facilities in Labrador City. The pellets can then be charged directly into a blast furnace.

Iron ore concentrate is received from the concentrating operations where it is ground in one of 11 ball mills. The ground concentrate, after being filtered, is mixed with bentonite, which acts as a binding agent and, in the case of fluxed pellets, limestone and/or dolomite is added. The ground concentrate and other additive mixtures are formed into balls 9.5 mm to 12.5 mm in diameter that after being placed on one of six travelling grate furnaces, are dried to remove moisture and then fired. Once cooled, the finished iron ore pellets are conveyed to storage for shipping by rail to the shipping terminal facilities in Sept-Îles.

A flotation plant uses bubble flotation technology to reduce silica to lower levels than can be achieved in the concentrator. It was originally installed to allow IOC to produce lower silica direct reduction pellets that contain less than 2% silica for use in DRI (direct reduced iron) and HBI (hot briqueted iron) plants which produce concentrated iron feed material primarily for electric arc furnaces. However, the plant is currently also being used to produce lower silica pellets for certain blast furnace customers.

IOC's Carol Lake pellet plant has the nominal capacity to produce 12.5 million tonnes per year at the current product mix, with actual capacity varying somewhat with the product mix. The plant produces three primary products: acid pellets, fluxed pellets and direct reduction pellets, with a silica content of 1.2 to 4.7%. In 2019, 10.1 million tonnes of pellets were produced.

Production

The production at IOC for the past five years was as follows:

	Years Ended December 31				
	2019	2018	2017	2016	2015
	(million tonnes)				
Total Feed Concentrate[(1)]	19.0	15.7	20.2	19.2	18.7
Pellets	10.1	8.5	10.5	9.8	9.3
Concentrate for Sale	7.9	6.7	8.5	8.4	8.4

Note:
1. The total volume of pellets and concentrate for sale does not equal the total feed concentrate due to changes in inventory and losses of material in the pelletizing operations.

Cost of Goods Sold, Excluding Depreciation

Components of cost of goods sold, excluding depreciation, were as follows:

	Years Ended December 31				
	2019	2018	2017	2016	2015
	(U.S.$ millions)				
Mining costs	308.7	250.7	251.7	245.9	261.5
Processing costs for concentrate and pellets	373.5	315.7	362.2	343.2	347.8
Other operating costs	275.5	235.8	218.3	198.9	203.4
Changes in inventory	(57.4)	(10.7)	6.3	10.4	34.9
Cost of goods sold, exclusive of depreciation[(1)]	900.3	791.5	838.5	798.4	847.6
U.S.$ per tonne	50.02	52.07	44.13	43.63	47.09

Note:
1. Cost of goods sold, exclusive of depreciation, generally consists of mining costs, the processing costs for concentrate and pellets and other operating costs, including hauling and handling expenses.

Employees

The numbers of employees of IOC for the past five years were as follows:

	Years Ended December 31				
	2019	2018	2017	2016	2015
Number of employees	2,502	2,397	2,382	2,309	2,316

IOC's hourly employees are represented by three unions. At December 31, 2019, the United Steelworkers (USW) represented approximately 1,412 employees at Labrador City and 328 at Sept-Îles, the United Transportation Union (UTU) represented approximately 93 employees mostly based at Sept-Îles and the Marine Guild represented 3 employees at Sept-Îles. A new five year collective agreement with the USW came into effect as of March 1, 2018 and is in effect until February 28, 2023. The agreement with the UTU came in to effect on March 1, 2019 and will remain in effect until February 29, 2024. The agreement with the Marine Guilde came in to effect on September 1, 2019 and will remain in effect until August 31, 2024.

Marketing and Sales

General

IOC is one of Canada's leading iron ore producers and a global supplier of iron ore pellets and concentrate. IOC enters into long-term contracts with most customers. Until October 2018, Rio Tinto Canada (Management) Inc., a subsidiary of Rio Tinto Ltd., acted as IOC's sole and exclusive agent for the marketing and sales of iron ore products made available for sale by IOC. In consideration of its services, Rio Tinto Canada (Management) Inc. was entitled to receive a marketing fee from IOC based on a percentage of the price of the product sold. On November 6, 2018, IOC Sales, Ltd. ("**IOC Sales**") was created to assist in the transition of the sales team from Rio Tinto to IOC and to perform sales and marketing functions of IOC. Concurrent with its incorporation, IOC Sales and IOC entered into a sales and distribution agreement (the "**Sales and Distribution Agreement**") under which IOC Sales purchases iron ore products from IOC at a discount and resells the products to end customers based on pricing agreed upon within the respective supply agreements. Rio Tinto retained the share ownership of IOC Sales.

Iron Ore Products

IOC's primary products include standard and low silica acid pellets, flux pellets, direct reduction pellets and iron ore concentrate for sale. Acid pellets can be charged directly into blast furnaces without further processing. Flux pellets are similar to acid pellets, with the exception that more dolomite and/or limestone is added to the pellets before pelletization to improve metallurgical properties and increase the efficiency of the operation of a blast furnace.

Iron ore concentrate for sale must be agglomerated, typically at the sinter plants, before being charged into the furnaces. This is mainly because of the permeability requirement of the blast furnaces. There is considerable variation in the burden mix (proportion of iron ore lump, pellets and sinter) applied to blast furnaces worldwide. Typical blast furnace burden mix in North America shows 90-100% pellets while the rest of the world uses sinter as a dominant burden charge.

Direct reduction pellets with lower silica content are used in the direct reduction processes to produce sponge iron which is an alternative process route, as an initial stage from iron to steel. The direct reduction process is primarily based on the use of natural gas and has become increasingly common in countries with access to inexpensive natural gas.

Iron ore concentrate for sale typically has high iron content (65.7 percent) with very low phosphorus and low alumina. Pellets typically have high iron content (65 to 67.7 percent), very low phosphorus and low sulphur, alumina and alkalis.

Sales Volumes, Prices and Revenues

Sales volumes for 2019 were 14.7% higher than in 2018 with pellet sales increasing by 14.3% and concentrate for sale increasing by 15.2%. 2018 sales volumes were impacted by a work stoppage in the second quarter. The 62% Fe index prices averaged U.S.$93 per tonne in 2019 compared to U.S.$69 per tonne in 2018. The 62% Fe index prices moved from a monthly average of U.S.$76 per tonne in January 2019, peaked at U.S.$126 per tonne on July 3, 2019, and then declined to U.S.$92 per tonne at year end. IOC sells concentrate based on the 65% Fe index price, this price averaged U.S.$104 per tonne in 2019 compared to U.S.$90 in 2018***.***

The monthly Atlantic Blast Furnace 65% Fe pellet premium index as reported by Platts ("**Platts pellet premium**") averaged US$57 per tonne in 2019 down 3% from 2018 . The Platts pellet premium contracted sharply starting in July 2019, averaging U.S.$37 per tonne in the fourth quarter, as a result of low scrap prices, poor steel prices and reduced steel demand causing a sharp correction in demand for iron ore pellets, particularly from European steel mills. Despite greater variability throughout the year, on average shipping costs for 2019 were similar to shipping costs in 2018***.***

Sales to North America and Europe represented 40% of IOC's shipments in 2019. The remainder of IOC sales were predominantly to Asia/Pacific.

The table below shows IOC's ore sales volumes along with revenues and average realized prices (in US$/tonne) for IOC's products over the past five years.

	Years Ended December 31				
	2019	2018	2017	2016	2015
			(U.S.$ millions)		
IOC Ore Sales Revenue	1,924	1,401	1,734	1,224	1,086
			(million tonnes)		
IOC Ore Sales Volume					
Pellets	9.6	8.4	10.4	10.0	9.6
Concentrate for sale	7.6	6.6	8.6	8.3	8.4
Total	17.2	15.0	19.0	18.3	17.9
			(U.S.$/tonne)		
Average Realized Price	112	93	91	67	61

Note:

1. Data for ore sales revenue, ore sales volume and realized price do not take into account third party ore sales.

Selected IOC Financial Information

Balance Sheet Data

The following table shows selected financial information for IOC.

	Years Ended December 31				
	2019	2018	2017	2016	2015
			(U.S.$ millions)		
Cash and cash equivalents[(1)]	312.6	101.0	334.3	279.3	152.3
Working capital	49.6	63.6	217.7	240.1	113.2
Total assets	2,912.6	2,527.7	2,907.9	2,621.7	2,399.8
Total debt	0.0	0.0	89.4	166.2	216.7

Note:

1. Includes term deposits with the Rio Tinto Group.

Cash Flow Data

The following table shows cash flow data for IOC.

	Years Ended December 31				
	2019	2018	2017	2016	2015
	(U.S.$ millions)				
Cash flows provided by operating activities	981.6	455.4	716.0	340.4	216.8
Capital expenditures	212.3	160.7	197.7	72.8	107.0
Dividends paid	550.0	425.0	400.1	75.0	-----

Québec North Shore & Labrador Railway

IOC's wholly-owned subsidiary, QNS&L, is subject to the jurisdiction of the Canadian Transportation Agency. QNS&L hauls IOC's products 418 kilometres from IOC's mining and production operations in Labrador City to its marine terminal and materials handling facility in Sept-Îles, Québec.

Due to the severity of the winters, maintenance of the track (and associated sidings) including two tunnels, seven steel bridges and numerous culvert pipe installations, is done during a six month summer period.

QNS&L has capacity to haul 45 million tonnes per annum. It currently operates up to eight iron ore trains in order to transport iron ore products from Labrador City to Sept-Îles. Each train is generally 240 cars in length and each car is capable of carrying between 90 and 100 tonnes of iron ore. The round trip takes an average of 50 hours, including time for loading and unloading. All train movements are controlled by a centralized traffic control system and each ore train is run by a one person crew.

In addition to hauling IOC's iron ore production, in 2019 QNS&L also hauled iron ore production from Québec Iron Ore, Tacora Resources and Tata Steel Minerals Canada Limited.

Sept-Îles Terminal

The marine terminal in Sept-Îles uses a highly mechanized system to receive and stockpile iron ore concentrate for sale and pellets from Labrador City for eventual loading into ships.

Trains with iron ore concentrate for sale and pellets from Labrador City arrive at the dumper where the contents are automatically dumped, weighed and transported to stockpiles from which they are reclaimed for loading onto ships. The dumper capacity is 25 million tonnes per annum.

The stockpile yard is situated on 1,150 hectares of land and has the capacity to store 4.5 million tonnes of iron ore products. The stockpiling of product is handled by two travelling stackers which are fed by a conveyor system. During shiploading, product is transported from the stockpile yard to ships using two bucketwheel reclaimers. Product is reclaimed from stockpiles and transported by conveyor to the docks where two travelling shiploaders transfer the iron ore product onto the docked freighters. The shiploading capacity is 30 million tonnes per annum.

The Sept-Îles terminal, operating year-round, can handle both lake and ocean-going vessels with a capacity of between 25,000 and 255,000 tonnes.

Social and Environmental

LIORC is a passive investment company. Its sole asset is its investment in IOC, which is comprised of a 15.1% equity interest, a 7% gross overriding royalty, and a 10 cent per tonne commission on all iron ore products produced, sold and shipped by IOC. LIORC does not control or operate IOC. However, LIORC is indirectly exposed to environmental, social and other risks arising from IOC's operations.

IOC is controlled and operated by Rio Tinto, one of the largest and most respected mining operators in the world. Because LIORC has no financial or operational control over IOC, LIORC relies on IOC management and Rio Tinto to operate the mining operations in accordance with appropriate standards regarding social, health, safety, environment, and community relations.

IOC's All Injury Frequency Rate decreased from 0.94 in 2018 to 0.71 in 2019. Safety is the first priority for IOC and the company is taking special measures to improve safety performance.

LIORC undertakes a number of ongoing activities with respect to IOC to ensure that IOC is appropriately managing its environmental and social risks in order to minimize LIORC's indirect exposure to those risks, including the following:

- As a subsidiary of Rio Tinto, IOC follows all of Rio Tinto's policies and procedures to deal with environmental, social and sustainability matters. Rio Tinto's website has reports and further information on sustainability, environmental and social issues including an annual Sustainability Report and a Climate Change Report prepared in line with recommendations from the Task Force on Climate-related Financial Disclosures. LIORC monitors and reviews all such policies and reports on at least an annual basis.

- IOC's website provides information on IOC's performance in areas related to social, health, safety, environment, and community relations, including its annual Sustainable Development Report. The report outlines IOC's comprehensive program directed at achieving environmental protection within the governing framework of sustainable development. LIORC monitors and reviews the website and reports on at least an annual basis.

- LIORC receives monthly shareholder reports from IOC, which include monthly health and safety information. Also, LIORC management have regular and ongoing dialogue with IOC management and visit the IOC facilities at least annually. These reports and interactions allow LIORC to have a deep understanding of IOC's operations.

- LIORC has two nominees on the IOC board of directors. This allows LIORC to have further insight into IOC's environmental and social matters and update the LIORC board as required. LIORC is committed to supporting IOC in their efforts to improve their environmental and social policies and performance, and having IOC board representation provides LIORC with the opportunity to encourage IOC to continue to implement best practices.

- LIORC reviews and monitors IOC's tailings management. As a subsidiary of Rio Tinto, IOC follows Rio Tinto's policies and procedures as they relate to tailings facilities. Rio Tinto is committed to being transparent with its stakeholders about its tailings facilities and how they manage them, including their employees, the communities they operate in, governments and regulators, partners and NGOs. IOC has a long-term tailings management plan and has developed wetlands on the existing tailings landform. Specific information on IOC's tailings facilities can be found on Rio Tinto's website.

- LIORC monitors external reports, including media reports related to environmental and social related programs at IOC and Rio Tinto in order to identify environmental or social issues or risks.

- LIORC receives an annual confirmation from the Chief Executive Officer of IOC that IOC complies with legal and regulatory requirements in the provinces it operates.

CAPITAL STRUCTURE

Common Shares

LIORC has outstanding 64 million common shares which trade on the TSX under the symbol LIF. Holders of common shares of LIORC are entitled to receive notice of and to attend all meetings of shareholders of LIORC and to one vote per common share at such meetings. Holders of common shares are entitled to receive rateably any dividends declared by LIORC's board of directors on the common shares, and are entitled to participate rateably in any distribution to the shareholders of LIORC upon a liquidation, dissolution or winding-up. There are no pre-emptive, conversion or redemption rights attached to the common shares.

DIVIDENDS

Quarterly dividends on common shares are paid to shareholders of record on the last day of each calendar quarter and are expected to be paid on or before the 25th day of the next following month.

Regular dividends of $1.00 per common share and special dividends of $3.00 per common share were declared in 2019. Regular dividends of $1.00 per common share and special dividends of $0.75 per common share were declared in 2018. Regular dividends of $1.00 per common share and special dividends of $1.65 per common share were declared in 2017.

MARKET FOR COMMON SHARES

The common shares are listed for trading on the Toronto Stock Exchange under the symbol LIF. The monthly price ranges and trading volumes for common shares from January to December, 2019 were as follows:

2019	Price Range	Trading Volume
January	$30.38 – $22.25	4,799,507
February	$33.81 – $29.72	4,941,985
March	$33.21 – $28.55	5,451,046
April	$33.00 – $29.47	4,056,100
May	$33.32 – $28.88	4,113,339
June	$35.02 – $30.41	5,197,966
July	$36.01 – $31.30	5,650,351
August	$31.28 – $24.89	5,838,978
September	$27.89 – $23.90	8,902,783
October	$24.37 – $21.91	6,295,194
November	$25.80 – $21.87	7,988,590
December	$27.37 – $24.53	7,162,492

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the common shares is Computershare Investor Services Inc., 100 University Avenue, Toronto, Ontario M5J 2Y1.

DIRECTORS AND OFFICERS

The directors and officers of LIORC are set out below. The directors hold office until the next annual meeting of LIORC or until their successors are elected or appointed.

Name and Residence	Office(s) Held	Principal Occupation	Director Since
William J. Corcoran(1)(2)(3) Ontario, Canada	Director	Company Director	2010 (Trustee of the Fund since 1995)
Mark J. Fuller(1)(2)(3) Ontario, Canada	Lead Director and Chair of Compensation and Nominating Committees	President and CEO of Ontario Pension Board, the administrator of the Ontario Public Service Pension Plan	2014
Douglas F. McCutcheon Ontario, Canada	Director	President of Longview Asset Management Ltd., an investment firm	2020
William H. McNeil(4) Ontario, Canada	Chair of the Board and Director	Chair of the Board of LIORC and Company Director	2015
Dorothea E. Mell Ontario, Canada	Director	Company Director	2020
Sandra L. Rosch Ontario, Canada	Executive Vice President and Director	Executive Vice President of LIORC	2014
John F. Tuer(2)(3)(5) Ontario, Canada	President, CEO and Director	President and CEO of LIORC	2017
Patricia M. Volker(1)(2)(3) Ontario, Canada	Director and Chair of the Audit Committee	Company Director	2014
James C. McCartney Ontario, Canada	Executive Vice President	Retired Partner, McCarthy Tétrault LLP, Barristers and Solicitors	
Alan R. Thomas Ontario, Canada	CFO	Company Director	

Name and Residence	Office(s) Held	Principal Occupation	Director Since
Robert O. Hansen Ontario, Canada	Secretary	Partner, McCarthy Tétrault LLP, Barristers and Solicitors	

1. Member of Audit Committee
2. Member of Compensation Committee
3. Member of Nominating Committee
4. Mr. McNeil resigned as President and CEO effective on March 7, 2019.
5. Mr. Tuer resigned from the Compensation Committee and the Nominating Committee effective on March 7, 2019. He was appointed President and CEO effective on March 7, 2019.

As at December 31, 2019, directors and officers of LIORC collectively beneficially owned, directly or indirectly, or exercised control and direction over 63,200 common shares, representing approximately 0.1 % of the outstanding common shares.

The directors of LIORC are also directors and officers of Hollinger-Hanna. Mr. Tuer and Mr. McNeil serve as directors of IOC.

Audit Committee

The charter of the Audit Committee is attached hereto as Schedule 1.

The members of the Audit Committee are William J. Corcoran, Mark J. Fuller and Patricia M. Volker (Chair). All of the members are independent and financially literate. Mr. Corcoran has over 40 years of experience in the financial services industry. Mr. Fuller has 20 years of experience in pension fund management. Ms. Volker is a CPA, CA and CMA, with over 30 years of experience in the public accounting industry.

External Auditor Service Fees

Audit Fees. The aggregate fees billed by LIORC's external auditor for audit services were $89,000 in 2019 and $82,500 in 2018.

Audit–related Fees. The aggregate fees billed by LIORC's external auditor for assurance and other services that are related to the review of interim financial statements were $7,500 in 2019 and $7,500 in 2018.

Other Fees. An aggregate of $15,000 was billed by LIORC's external auditor for accounting consultation in 2019 and $10,000 in 2018.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into the ordinary course of business, which have been entered into by LIORC after January 1, 2003 and on or before December 31, 2019 that are still in effect:

- the Labrador Leases;
- the Labrador Sublease;
- an amended and restated shareholder rights plan agreement (the "**Rights Plan**") dated May 2, 2018 between LIORC and Computershare Investor Services Inc., as rights agent. At the close of business on April 18, 2018, one right (a "**Right**") was issued and attached to each common share

outstanding, and will be issued and attached to each common share issued thereafter. The Rights Plan is similar to many other rights plans adopted by Canadian public issuers. Subject to the terms of the Rights Plan and to certain exceptions provided therein, the Rights will become exercisable (other than by an acquiring person or its joint actors) to acquire common shares at a substantial discount to market value in the event any person, together with joint actors, acquires or announces its intention to acquire 20% or more of LIORC's outstanding common shares without complying with the "Permitted Bid" provisions of the Rights Plan or without the Rights Plan being waived in accordance with its terms; and

- an administration agreement (the "**Administration Agreement**") dated January 1, 2019 between LIORC and Suske Capital Inc. (the "**Administrator**"). Pursuant to the Administration Agreement, the Administrator acts as administrator for LIORC and its subsidiary, Hollinger-Hanna, for an aggregate annual fee of $225,000 (payable quarterly). The Administrator has agreed to provide normal administrative functions required to support LIORC and Hollinger-Hanna. The services provided by the Administrator pursuant to the Administration Agreement are provided by the same professional personnel who historically provided the services pursuant to an administration agreement between LIORC and Scotia Managed Companies Administration Inc. (who withdrew from the administration business in 2018). The term of the Administration Agreement expires on December 31, 2021, subject to earlier termination by either party on 90 days' written notice for any reason or forthwith on written notice in the event of certain insolvency events, a breach that remains uncured for 30 days or the professional personnel providing the services ceasing to be actively employed by the Administrator. In addition, LIORC has agreed to reimburse the Administrator for its reasonable and documented out-of-pocket expenses and to indemnify the Administrator from certain losses arising from the Administration Agreement.

A copy of each document entered into on or after January 1, 2003 has been filed on SEDAR and is available at www.sedar.com.

EXPERTS

The auditor of LIORC is PricewaterhouseCoopers LLP, which has prepared the independent auditors' report in respect of the audited annual consolidated financial statements of LIORC. PricewaterhouseCoopers LLP is independent with respect to LIORC within the meaning of the Rules of Professional Conduct/Code of Ethics of the Chartered Professional Accountants of Ontario.

RISK FACTORS

Iron Ore Price and Volume Volatility

Royalty payments to LIORC and IOC's earnings are directly related to the volume of iron ore products sold and the price of iron ore products. Demand and prices for iron ore products fluctuate and are affected by numerous factors beyond the control of LIORC and IOC, including demand for steel, the strength of the U.S. dollar, global and regional demand and production, political and economic conditions and production costs in major producing regions. The effect of these factors is impossible for LIORC to predict. If the market price for iron ore products should fall below IOC's production cost and remain there for a prolonged period, IOC would experience losses and could decide to discontinue its operations, thereby eliminating Royalty and dividend payments.

Exchange Rates

While iron ore prices are denominated in U.S. dollars, a majority of IOC's production and operating costs are Canadian dollar based. Accordingly, fluctuations in currency exchange rates, principally the U.S.-Canadian dollar exchange rate, can significantly impact IOC's earnings and cash flows. Additionally, the Royalty payments are in U.S. dollars and therefore the revenue in Canadian dollars of LIORC is impacted by fluctuations in the U.S.-Canadian dollar exchange rate.

Dependence Upon IOC

Royalty revenue is earned only when IOC mines and sells iron ore from the IOC Lands. A decision by IOC to cease operations or to mine iron ore from lands other than IOC Lands would eliminate revenue from the Royalty. Dividend income from the IOC equity is also dependent upon IOC's earnings and its dividend policy. LIORC also reports equity earnings or losses in IOC and, accordingly, is dependent upon the revenue, expenses and net income of IOC.

Dependence on the Steel Industry

Steel is a key driver of the world's economy, supplying the core automotive, construction, infrastructure projects, transport, power and machine goods industries. The demand for iron ore is almost entirely dependent upon the raw material requirements of integrated steel producers and direct reduced iron/hot-briquetted iron producers of concentrated iron feed to electric arc furnaces.

The seaborne trade for iron ore is around 1.5 billion tonnes, 1 billion tonnes of which is shipped to China. Developments in China and Chinese government policy impact growth levels in the Chinese economy and continue to be key to the short term demand for steel and therefore iron ore. Global steel production capacity exceeds global demand for steel and the steel industry is highly fragmented and regionalized. This industry structure will keep pressure on steel prices. National and corporate behaviours relating to production levels, that is whether to produce or seek to manage output depending on steel demand, will be key to developments in steel pricing. Fundamental steel industry profitability will only improve with rationalisation of production and the number of steelmakers. If steel production is not rationalised, it is likely steel prices will continue to be under pressure. Steelmakers will have to improve their competitiveness by improving productivity, improving quality, cutting costs and mitigating volatility in raw material cost, if they want to maintain profitability.

Materials such as aluminum, composites and plastics are substitutes for steel and an increase in their use could adversely affect the demand for steel and, consequently, the demand for iron ore.

Mining Risks and Insurance

The mining operations of IOC are subject to risks normally encountered in the mining business. Such risks include (i) environmental hazards, (ii) industrial accidents, (iii) failures of critical infrastructure, equipment and information technology and telecommunications systems, (iv) availability and price of other commodities and supplies (including energy) (v) labour disputes, (vi) the availability of skilled labour, (vii) unusual or unexpected geological formations or conditions, (viii) pit wall slides, (ix) flooding, (x) wildfires, and (xi) periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mines, production facilities or transportation systems, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability. IOC maintains insurance coverage consistent with industry practice. However, no assurance can be given that such insurance will continue to be available at acceptable premiums. Insurance against environmental risks is not generally available to IOC or to other companies within the industry. LIORC does not maintain separate insurance coverage. Should IOC be unable to pay the cost of remedying an environmental problem, IOC could be required to enter into interim compliance measures or to suspend operations.

Labrador Leases

The Labrador Leases are issued pursuant to the *Labrador Mining and Exploration Act* (Newfoundland and Labrador) (the "**LM&E Act**") and are renewable for three consecutive periods of 30 years. The Labrador Leases will need to be renewed for their final term between 2020 and 2031 (with ten of the twelve up for renewal in 2022 or earlier) and expire between 2050 and 2061 (with ten of the twelve expiring in 2052 or earlier). LIORC has filed applications to renew the ten mining leases (which include seven material mining leases where IOC's reserves and resources are located) that are up for renewal between 2020 and 2022.

Government Regulation

IOC operates in a highly regulated environment and new laws or regulations, or changes in existing laws or regulations, or the manner of their interpretation or enforcement, could increase IOC's cost of doing business and restrict its ability to operate its business or execute its strategies. IOC is subject to various federal, provincial and local laws and regulations, including for human health and safety, air quality, water pollution, reclamation and restoration of mining properties and discharge of materials into the environment. In addition, IOC requires numerous government permits, licenses and leases to conduct its mining operations. If IOC violates or fails to comply with these laws, regulations, permits, licenses and leases, it could be fined or otherwise sanctioned by regulatory authorities and costs associated with compliance could increase. It is foreseeable and probable that future legislation and regulations, including to address climate change, will cause additional expense and capital expenditures in IOC's operations and reclamation obligations, the extent of which cannot be predicted.

Litigation

The nature of IOC's business exposes it to various legal proceedings and claims, including civil liability claims, aboriginal claims, environmental matters, health and safety matters, regulatory and administrative proceedings, governmental investigations, tort claims, contract disputes, labour matters and tax matters, among others. While IOC contests these and other matters vigorously and makes insurance claims where appropriate, litigation and other administrative proceedings could be inherently costly and unpredictable, making it difficult to accurately estimate the outcome of existing or future litigation.

Indigenous Groups

Indigenous-related matters are a risk factor for the mining industry in Canada. Relationships with indigenous groups can lead to risks that require proactive management, such as (i) regulatory risks if indigenous groups significantly delay approval of permits for new projects; (ii) risks of disruptive actions that could interrupt IOC's business; (iii) reputational/investor relations risks if IOC does not properly manage relationships; and (iv) litigation risks.

Natural disasters, severe weather conditions and public health epidemics

IOC's operations can be affected by natural disasters and severe weather conditions, in particular due to the long supply chain for its operations and because its operations are situated in Newfoundland and Labrador and the Québec North Shore, which have extremely cold climates throughout much of the year. Extreme weather events, including but not limited to snowfall, cold weather, surface flooding, landslides, forest fires or other emergencies have the potential to disrupt IOC's operations, in particular, its railway, port and power infrastructure, including locomotives, rail cars, car dumper, rail system and power lines. Climate change may result in an increase in extreme weather events affecting these operations. Interruptions in production capabilities due to inclement weather will increase production costs and reduce IOC's profitability. Re-start production costs can be even higher if undertaken during extremely cold weather conditions. Public health epidemics can also have an impact on IOC's employees and the global economy, such as the coronavirus currently impacting China. Coronavirus could result in shutdowns of steel plants in China and elsewhere, and thereby result in a reduction in iron ore prices.

Customers

The majority of IOC's customers are foreign companies. IOC may be affected by changes in laws, import and export regulations and other matters which could influence IOC's operations and over which it might have no control. IOC is closely monitoring the impact of Covid-19 virus and is prepared for some short-term impact.

Competition

The iron ore mining industry is highly competitive, and some iron ore producers benefit from larger ore bodies or higher grade ore bodies than those on the IOC Lands, and some benefit from more favourable climatic conditions and lower operating and regulatory compliance costs than the costs incurred by IOC.

Reserves and Resources

The ore reserves and resources presented herein have been estimated by IOC's technical personnel but no assurance can be given that the indicated level of recovery of the iron ore will be realized. Market price fluctuations for iron ore as well as increased production costs or reduced recovery rates, could render a portion or all of the reserves uneconomic and could ultimately result in a restatement of reserves.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness and principal holders of LIORC's securities is contained in the most recent management information circular of LIORC. Additional financial information is provided in LIORC's comparative consolidated financial statements and Management Discussion and Analysis for the year ended December 31, 2019.

Additional information relating to LIORC may be found on LIORC's website at www.labradorironore.com and on SEDAR at www.sedar.com.

SCHEDULE 1

AUDIT COMMITTEE CHARTER

1. Composition of Committee

   (a) The Committee will consist of independent directors, all of whom must be qualified in accordance with applicable regulatory and stock exchange requirements. An independent director, for the purposes of membership on the Audit Committee, means a director who has no direct or indirect material relationship with the Corporation where a material relationship is a relationship that could, in the view of the board of directors, reasonably interfere with the exercise of the member's independent judgment.

   (b) All members of the Committee must be financially literate. A member is financially literate if the member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation.

2. Procedural Matters

   (a) The Committee operates under authority vested by the board of directors and reports to the board of directors. Each member of the Committee will be appointed by the board of directors and will serve during the pleasure of the board of directors, so long as he or she remains a director.

   (b) The board of directors will appoint a Chair for the Committee.

   (c) The Chair of the Committee or the Chair of the board of directors or any member of the Committee may call a meeting of the Committee. The Committee will meet at such times during each year as it deems appropriate.

3. Duties and Responsibilities

   (a) The Committee will make recommendations to the board of directors with respect to the external auditor to be nominated for the purpose of preparing or issuing an auditor's report on the annual financial statements or performing other audit, review or attest services for the Corporation and with respect to the compensation of the external auditor.

   (b) The Committee will oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. Such firm will report directly to the Committee.

   (c) The Committee will obtain written confirmation from the external auditor that it is objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute of Chartered Professional Accountants to which it belongs.

   (d) The Committee will:

      (i) review and approve the external auditor's engagement letter; and

      (ii) oversee the planning and results of external audit, including:

A. reviewing and approving the audit plan

B. reviewing the post-audit letter of recommendations to management together with management's response

C. reviewing the form of the audit report

D. reviewing and approving any other audit-related engagements; and

E. meeting with the external auditor to discuss pertinent matters, including the annual statement and any other returns and transactions requiring review by the Committee.

(e) The Committee will pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the Corporation's external auditor, which function may be delegated to a member of the Committee.

(f) The Committee will review the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases before the Corporation publicly discloses that information, and recommend same to the directors for their approval.

(g) The Committee will review the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in item (e).

(h) The Committee will review the Corporation's enterprise and financial risk management processes with respect to major financial risk exposures and steps taken to monitor and control such exposures.

(i) The Committee will review the adequacy of risk management policies and procedures as they relate to financial reporting, and implementation of appropriate systems to manage such risks, including the adequacy of insurance coverages.

(j) The Committee will be responsible for:

(i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(ii) the confidential, anonymous submission by directors, officers and employees, if any, of the Corporation of concerns regarding questionable accounting or auditing matters.

(k) The Committee will review with management and with the external auditors the effectiveness of control systems used by the Corporation in connection with financial reporting and disclosure.

(l) The Committee will review the Corporation's compliance with legal and regulatory requirements as they relate to the Corporation's financial statements.

(m) The Committee will review management's procedures regarding compliance with loan covenants.

(n) The Committee will review the status of material litigation, claims, compliance and regulatory contingencies.

4. Resources, Meetings and Reports

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

(b) The Committee may, for and on behalf of the Corporation and at the Corporation's sole expense, engage such consultants as it considers in its sole discretion necessary to assist it in fulfilling its duties and responsibilities.

(c) The Committee will meet not less than four times per year.

(d) The Committee will keep minutes of its meetings in which are recorded all actions taken by the Committee, and such minutes will be made available to the directors.

The Committee will review and reassess the adequacy of this charter annually.