LABRADOR IRON ORE
ROYALTY CORPORATION

2020 SECOND QUARTER REPORT

82 YEARS IN LABRADOR WEST

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 second quarter report for the period ended June 30, 2020.

Royalty revenue for the second quarter of 2020 amounted to $46.2 million compared to $52.6 million for the second quarter of 2019. Net income was $48.9 million or $0.76 per share for the second quarter of 2020 compared to $61.1 million or $0.95 per share for the same period in 2019. Cash flow from operations for the second quarter was $37.6 million or $0.58 per share compared to $47.8 million or $0.75 per share for the same period in 2019. The Corporation received no dividend from IOC in the second quarter of 2020 compared to $25.4 million or $0.40 per share for the same period in 2019. Equity earnings from Iron Ore Company of Canada ("IOC") amounted to $28.7 million or $0.45 per share in the second quarter of 2020 compared to $24.7 million or $0.39 per share in the first quarter of 2020 and $33.9 million or $0.53 per share in the second quarter of 2019.

Royalty revenue and net income for the second quarter of 2020 were lower than the second quarter of 2019, predominantly as a result of lower iron ore prices and a change in IOC's product mix which was beneficial to IOC's earnings, but lowered IOC's revenue from which the LIORC royalty is calculated. While prices for concentrate remained strong in the second quarter, both concentrate and pellet prices were lower in the second quarter of 2020 compared to the second quarter of 2019. The average price for the Platts index for 62% Fe Iron Ore, CFR China ("62% Fe index") decreased 7% to US$93 per tonne in the second quarter of 2020, compared to the average price of US$100 per tonne in the second quarter of 2019. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US$30 per tonne in the second quarter of 2020, a 55% decrease over the second quarter of 2019. Total IOC's sales for calculating the royalty to LIORC (concentrate for sale ("CFS") plus pellets) of 4.6 million tonnes were 1% higher in the second quarter of 2020 compared to the same period in 2019. However, while CFS sales of 2.4 million tonnes were 10% higher than in the same period in 2019, pellet sales in the second quarter of 2020 of 2.2 million tonnes were 7% lower than in the second quarter of 2019. Cash flow from operations in the second quarter of 2020 was lower than in the second quarter of 2019 largely because IOC elected not to pay a shareholder dividend in the second quarter of 2020 due to the global economic uncertainty created by the COVID-19 pandemic. While equity earnings from IOC in the second quarter of 2020 were lower than in the second quarter of 2019, mainly due to lower iron ore prices, equity earnings from IOC were higher than in the first quarter of 2020, due to higher iron ore prices and lower operating costs. IOC's operating costs were lower in the second quarter of 2020 because of the reduction in pellet production and as a result of operational changes made to deal with COVID-19 that limited the number of contractors on site and reduced overtime costs. IOC also benefitted from lower fuel costs in April and May.

LIORC's results for the three months and six months ended June 30 are summarized below:

(in millions except per share information)	**3 Months Ended Jun. 30, 2020**	**3 Months Ended Jun. 30, 2019**	**6 Months Ended Jun. 30, 2020**	**6 Months Ended Jun. 30, 2019**
		(Unaudited)		
Revenue	$ 46.7	$ 53.3	$ 95.0	$ 92.5
Cash flow from operations	$ 37.6	$ 47.8	$ 48.3	$ 72.8
Operating cash flow per share	$ 0.58	$ 0.75	$ 0.75	$ 1.14
Net income	$ 48.9	$ 61.1	$ 95.5	$ 100.4
Net income per share	$ 0.76	$ 0.95	$ 1.49	$ 1.57

Iron Ore Company of Canada Operations

Production

During the second quarter, IOC's mining, processing, rail and shipping operations continued to operate safely within the COVID-19 guidelines of both the Québec and Newfoundland and Labrador governments. Despite the inclusion of social distancing protocols and limitations placed on certain employee and contractor movements, total concentrate production in the second quarter of 2020 of 4.8 million tonnes was 7% higher than the second quarter of 2019 and 3% higher than the first quarter of 2020. The total material moved was lower in the second quarter of 2020 than the second quarter of 2019, mainly driven by the absence of development contractors impacting waste movement and a lack of haul truck operators. However, this was more than offset by a lower strip ratio. Concentrate production in the second quarter of 2019, was also adversely affected by a flooding incident.

During the second quarter of 2020, total saleable production (CFS plus pellets) of 4.7 million tonnes was 9% higher than the second quarter of 2019. During the second quarter of 2020, IOC optimised its product mix to match market demand, by temporarily suspending two pellet machines from operation in order to increase production of CFS. As a result, CFS production in the second quarter of 2020 of 2.6 million tonnes was 28% higher than in the second quarter of 2019 and 65% higher than the first quarter of 2020. Pellet production in the second quarter of 2020 of 2.1 million tonnes was 7% lower than the second quarter of 2019 and 24% lower than the first quarter of 2020.

Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.6 million tonnes in the second quarter of 2020 was 1% higher compared to the same period in 2019. In the second quarter of 2020 CFS tonnage sold by IOC was 10% higher than in the same period in 2019 and pellet sales tonnage was 7% lower than in the second quarter of 2019, mainly as a result of the strategic change in product mix by IOC.

IOC sells CFS based on the Platts index for 65% Fe Iron Ore, CFR China ("65% Fe index"). In the second quarter of 2020 the average price for the 65% Fe index was US$108 per tonne, a 6% decrease from the average price in the second quarter of 2019 and a 5% increase from the first quarter of 2020. Overall, prices for iron ore concentrate remained historically strong in the second quarter of 2020, due to continuing demand from China, the largest importer of iron ore, offsetting weaker demand outside of China. In the first half of 2020, China imported 547 million tonnes of iron ore, up 9.6% over the same period in 2019. In addition, during the second quarter iron ore prices benefited from ongoing supply concerns regarding future Brazilian production as a result of COVID-19 disruptions. In the second quarter the 65% Fe index traded at an average premium of 16% to the 62% Fe index. This was the same average premium as in the first quarter of 2020 and similar to the 15% average premium in the second quarter of 2019.

The COVID-19 pandemic continued to negatively affect the demand for iron ore outside of China. As a result, in the second quarter of 2020 there was reduced demand for pellets in various markets across Europe and North America. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US$30 per tonne in the second quarter of 2020, a 55% decrease over the second quarter of 2019 and 3% higher than the first quarter of 2020. The average pellet price realized by IOC in the first half of 2020 was US$117 per tonne, a 17% decrease from the average realized price of US$141 per tonne in the first half of 2019.

A change in product mix and lower iron ore prices, and in particular lower pellet premiums, resulted in royalty revenue for LIORC in the second quarter of 2020 decreasing 12% compared to the royalty revenue in 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 Jun. 30, 2020	**3 Months Ended Jun. 30, 2019**	**6 Months Ended Jun. 30, 2020**	**6 Months Ended Jun. 30, 2019**	**Year Ended Dec. 31, 2019**
Pellets	2.25	2.42	5.27	5.13	9.62
Concentrates(1)	2.36	2.14	4.04	2.97	7.51
Total(2)	4.61	4.57	9.31	8.10	17.14

(1) Excludes third party ore sales.

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

Outlook

IOC continues to effectively operate its mining, processing, rail and shipping operations safely during the COVID-19 pandemic. IOC production and sales volumes remain strong despite the additional challenges presented by COVID-19, and Rio Tinto has recently reaffirmed its 2020 guidance for IOC's saleable production of CFS and pellets at between 17.9 and 20.4 million tonnes.

Capital expenditures at IOC for 2020 which were originally forecasted to be approximately $350 million, are now projected to be approximately $270 million. The $80 million reduction in the capital expenditure forecast is due to the deferral of certain development projects, mainly related to COVID-19 protocol restrictions on bringing contractors and consultants on-site during the second quarter, as well as a delay in the finalization of the third-party service contract that is a prerequisite to increasing the haulage capacity of Québec North Shore and Labrador Railway.

Since June 30, the 65% Fe index has consistently been above its average price during the second quarter of 2020. However, it is anticipated that the economic impact from the COVID-19 pandemic will continue to cause both demand and supply disruptions to the seaborne iron ore market. While the outlook for China steel production in the second half of 2020 remains positive, it is unclear whether iron ore demand strength from China will be enough to offset the expected continued weakness of steel producers in Europe and North America. In addition, while steel prices benefited in the second quarter from fears that there would be supply constraints from Brazil, those fears were never fully realized, and recently Brazilian miner Vale reconfirmed its original production guidance, albeit at the lower end of its 310 to 330 million tonne range.

In such an uncertain economic environment, IOC's ability to optimize its production mix to meet changing market demands is a clear advantage. At the end of the first quarter of 2020, IOC halted production of two pellet machines in order to focus on meeting the demand for CFS. Recently, the Atlantic pellet market has shown some improvement in demand and, as a result, IOC brought back on-line one of the two idled pellet lines.

IOC remains well positioned to benefit from its royalty and equity investments in IOC given strong iron ore market conditions and current production levels. In the first half of 2020, LIORC paid a total of $0.80 per share in dividends to shareholders from cash received from its IOC royalty. In addition, while IOC decided not to declare a shareholder dividend in the first half of 2020, LIORC's share of equity earnings in IOC was $53.4 million. LIORC continues to maintain a strong balance sheet with no debt and positive working capital (current assets minus current liabilities) of $29.4 million as at June 30, 2020.

Report To Shareholders

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

John F. Tuer
President and Chief Executive Officer
August 6, 2020

Management's Discussion and Analysis

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

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

Royalty revenue for the second quarter of 2020 amounted to $46.2 million compared to $52.6 million for the second quarter of 2019. Net income was $48.9 million or $0.76 per share for the second quarter of 2020 compared to $61.1 million or $0.95 per share for the same period in 2019. Cash flow from operations for the second quarter was $37.6 million or $0.58 per share compared to $47.8 million or $0.75 per share for the same period in 2019. The Corporation received no dividend from IOC in the second quarter of 2020 compared to $25.4 million or $0.40 per share for the same period in 2019. Equity earnings from IOC amounted to $28.7 million or $0.45 per share in the second quarter of 2020 compared to $24.7 million or $0.39 per share in the first quarter of 2020 and $33.9 million or $0.53 per share in the second quarter of 2019.

Royalty revenue and net income for the second quarter of 2020 were lower than the second quarter of 2019, predominantly as a result of lower iron ore prices and a change in IOC's product mix which was beneficial to IOC's earnings, but lowered IOC's revenue from which the LIORC royalty is calculated. While prices for concentrate remained strong in the second quarter, both concentrate and pellet prices were lower in the second quarter of 2020 compared to the second quarter of 2019. The average price for the 62% Fe index decreased 7% to US$93 per tonne in the second quarter of 2020, compared to the average price of US$100 per tonne in the second quarter of 2019. The Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US$30 per tonne in the second quarter of 2020, a 55% decrease over the second quarter of 2019. Total IOC's sales for calculating the royalty to LIORC (CFS plus pellets) of 4.6 million tonnes were 1% higher in the second quarter of 2020 compared to the same period in 2019. However, while CFS sales of 2.4 million tonnes were 10% higher than in the same period in 2019, pellet sales in the second quarter of 2020 of 2.2 million tonnes were 7% lower than in the second quarter of 2019. Cash flow from operations in the second quarter of 2020 was lower than in the second quarter of 2019 largely because IOC elected not to pay a shareholder dividend in the second quarter of 2020 due to the global economic uncertainty created by the COVID-19 pandemic. While equity earnings from IOC in the second quarter of 2020 were lower than in the second quarter of 2019, mainly due to lower iron ore prices, equity earnings from IOC were higher than in the first quarter of 2020, due to higher iron ore prices and lower operating costs. IOC's operating costs were lower in the second quarter of 2020 because of the reduction in pellet production and as a result of operational changes made to deal with COVID-19 that limited the number of contractors on site and reduced overtime costs. IOC also benefitted from lower fuel costs in April and May.

During the second quarter, IOC's mining, processing, rail and shipping operations continued to operate safely within the COVID-19 guidelines of both the Québec and Newfoundland and Labrador governments. Despite the inclusion of social distancing protocols and limitations placed on certain employee and contractor movements, total concentrate production in the second quarter of 2020 of 4.8 million tonnes was 7% higher than the second quarter of 2019 and 3% higher than the first quarter of 2020. The total material moved was lower in the second quarter of 2020 than the second quarter of 2019, mainly driven by the absence of development contractors impacting waste movement and a lack of haul truck operators. However, this was more than offset by a lower strip ratio. Concentrate production in the second quarter of 2019, was also adversely affected by a flooding incident.

During the second quarter of 2020, total saleable production (CFS plus pellets) of 4.7 million tonnes was 9% higher than the second quarter of 2019. During the second quarter of 2020, IOC optimised its product mix to match market demand, by temporarily suspending two pellet machines from operation in order to increase production of CFS. As a result, CFS production in the second quarter of 2020 of 2.6 million tonnes was 28% higher than in the second quarter of 2019 and 65% higher than the first quarter of 2020. Pellet production in the second quarter of 2020 of 2.1 million tonnes was 7% lower than the second quarter of 2019 and 24% lower than the first quarter of 2020.

Total iron ore sales tonnage by IOC (CFS plus pellets) of 4.6 million tonnes in the second quarter of 2020 was 1% higher compared to the same period in 2019. In the second quarter of 2020 CFS tonnage sold by IOC was 10% higher than in the same period in 2019 and pellet sales tonnage was 7% lower than in the second quarter of 2019, mainly as a result of the strategic change in product mix by IOC.

IOC sells CFS based on the 65% Fe index. In the second quarter of 2020 the average price for the 65% Fe index was US$108 per tonne, a 6% decrease from the average price in the second quarter of 2019 and a 5% increase from the first quarter of 2020. Overall, prices for iron ore concentrate remained historically strong in the second quarter of 2020, due to continuing demand from China, the largest importer of iron ore, offsetting weaker demand outside of China. In the first half of 2020, China imported 547 million tonnes of iron ore, up 9.6% over the same period in 2019. In addition, during the second quarter iron ore prices benefited from ongoing supply concerns regarding future Brazilian production as a result of possible COVID-19 disruptions. In the second quarter the 65% Fe index traded at an average premium of 16% to the 62% Fe index. This was the same average premium as in the first quarter of 2020 and similar to the 15% average premium in the second quarter of 2019.

The COVID-19 pandemic continued to negatively affect the demand for iron ore outside of China. As a result, in the second quarter of 2020 there was reduced demand for pellets in various markets across Europe and North America. The quarterly Atlantic Basin blast furnace pellet premium, as reported by Platts, averaged US$30 per tonne in the second quarter of 2020, a 55% decrease over the second quarter of 2019 and 3% higher than the first quarter of 2020. The average pellet price realized by IOC in the first half of 2020 was US$117 per tonne, a 17% decrease from the average realized price of US$141 per tonne in the first half of 2019.

A change in product mix and lower iron ore prices, and in particular lower pellet premiums, resulted in royalty revenue for LIORC in the second quarter of 2020 decreasing 12% compared to the royalty revenue in the second quarter of 2019.

Results for the six months were affected by the same factors as affected the three month period. Royalty and commission interests amortization expense increased by $0.3 million for the six months compared to the same period in 2019 due to the increase in production.

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

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

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

(2) Includes $25.4 million IOC dividend.

(3) Includes $40.1 million IOC dividend.

(4) Includes $44.6 million IOC dividend.

(5) Includes $58.6 million IOC dividend.

(6) Includes $25.3 million IOC dividend.

Standardized Cash Flow and Adjusted Cash Flow

For the Corporation, standardized cash flow is the same as cash flow from operating activities as recorded in the Corporation's cash flow statements as the Corporation does not incur capital expenditures or have any restrictions on dividends. Standardized cash flow per share was $0.58 for the quarter (2019 – $0.75). Cumulative standardized cash flow from inception of the Corporation is $31.73 per share and total cash distributions since inception is $31.14 per share, for a payout ratio of 98%.

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 Jun. 30, 2020	3 Months Ended Jun. 30, 2019	6 Months Ended Jun. 30, 2020	6 Months Ended Jun. 30, 2019
Standardized cash flow from operating activities	$ 37,614	$ 47,837	$ 48,267	$ 72,800
Changes in amounts receivable, accounts payable and income taxes payable	(11,975)	6,943	4,198	3,492
Adjusted cash flow	$ 25,639	$ 54,780	$ 52,465	$ 76,292
Adjusted cash flow per share	$ 0.40	$ 0.86	$ 0.82	$ 1.19

Liquidity and Capital Resources

The Corporation had $36.5 million in cash as at June 30, 2020 (December 31, 2019 – $77.9 million) with total current assets of $83.7 million (December 31, 2019 – $114.0 million). The Corporation had working capital of $29.4 million as at June 30, 2020 (December 31, 2019 – $28.2 million). The Corporation's operating cash flow for the quarter was $37.6 million and the dividend paid during the quarter was $22.4 million, resulting in cash balances increasing by $15.2 million during the second quarter of 2020.

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

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

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

Outlook

IOC continues to effectively operate its mining, processing, rail and shipping operations safely during the COVID-19 pandemic. IOC production and sales volumes remain strong despite the additional challenges presented by COVID-19, and Rio Tinto has recently reaffirmed its 2020 guidance for IOC's saleable production of CFS and pellets at between 17.9 and 20.4 million tonnes.

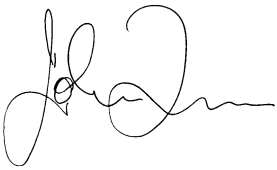
Capital expenditures at IOC for 2020 which were originally forecasted to be approximately $350 million, are now projected to be approximately $270 million. The $80 million reduction in the capital expenditure forecast is due to the deferral of certain development projects, mainly related to COVID-19 protocol restrictions on bringing contractors and consultants on-site during the second quarter, as well as a delay in the finalization of the third-party service contract that is a prerequisite to increasing the haulage capacity of Québec North Shore and Labrador Railway.

Since June 30, the 65% Fe index has consistently been above its average price during the second quarter of 2020. However, it is anticipated that the economic impact from the COVID-19 pandemic will continue to cause both demand and supply disruptions to the seaborne iron ore market. While the outlook for China steel production in the second half of 2020 remains positive, it is unclear whether iron ore demand strength from China will be enough to offset the expected continued weakness of steel producers in Europe and North America. In addition, while steel prices benefited in the second quarter from fears that there would be supply constraints from Brazil, those fears were never fully realized, and recently Brazilian miner Vale reconfirmed its original production guidance, albeit at the lower end of its 310 to 330 million tonne range.

In such an uncertain economic environment, IOC's ability to optimize its production mix to meet changing market demands is a clear advantage. At the end of the first quarter of 2020, IOC halted production of two pellet machines in order to focus on meeting the demand for CFS. Recently, the Atlantic pellet market has shown some improvement in demand and, as a result, IOC brought back on-line one of the two idled pellet lines.

IOC remains well positioned to benefit from its royalty and equity investments in IOC given strong iron ore market conditions and current production levels. In the first half of 2020, LIORC paid a total of $0.80 per share in dividends to shareholders from cash received from its IOC royalty. In addition, while IOC decided not to declare a shareholder dividend in the first half of 2020, LIORC's share of equity earnings in IOC was $53.4 million. LIORC continues to maintain a strong balance sheet with no debt and

positive working capital (current assets minus current liabilities) of $29.4 million as at June 30, 2020.



John F. Tuer
President and Chief Executive Officer

Toronto, Ontario
August 6, 2020

Forward-Looking Statements

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

Notice:

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

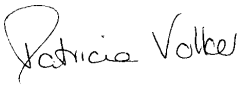
Labrador Iron Ore Royalty Corporation
Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	
Assets		
Current Assets		
Cash and short-term investments	$ 36,526	$ 77,859
Amounts receivable (note 4)	47,138	36,156
Total Current Assets	83,664	114,015
Non-Current Assets		
Iron Ore Company of Canada ("IOC") royalty and commission interests	244,434	247,701
Investment in IOC (note 5)	434,138	381,310
Total Non-Current Assets	678,572	629,011
Total Assets	$ 762,236	$ 743,026
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 10,032	$ 7,939
Dividend payable	28,800	67,200
Taxes payable	15,401	10,710
Total Current Liabilities	54,233	85,849
Non-Current Liabilities		
Deferred income taxes (note 6)	126,810	119,840
Total Liabilities	181,043	205,689
Shareholders' Equity		
Share capital	317,708	317,708
Retained earnings	274,313	230,005
Accumulated other comprehensive loss	(10,828)	(10,376)
	581,193	537,337
Total Liabilities and Shareholders' Equity	$ 762,236	$ 743,026

See accompanying notes to interim condensed consolidated financial statements.

Approved by the Directors,

John F. Tuer
Director



Patricia M. Volker
Director

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

(in thousands of Canadian dollars except for per share information)	For the Three Months Ended June 30, 2020	2019
	(Unaudited)	
Revenue		
IOC royalties	$ 46,213	$ 52,610
IOC commissions	454	449
Interest and other income	45	245
	46,712	53,304
Expenses		
Newfoundland royalty taxes	9,243	10,522
Amortization of royalty and commission interests	1,642	1,325
Administrative expenses	816	787
	11,701	12,634
Income before equity earnings and income taxes	35,011	40,670
Equity earnings in IOC	28,691	33,935
Income before income taxes	63,702	74,605
Provision for income taxes (note 6)		
Current	11,014	12,609
Deferred	3,830	896
	14,844	13,505
Net income for the period	48,858	61,100
Other comprehensive loss		
Share of other comprehensive loss of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2020 – $40; 2019 – $386)	(226)	(2,187)
Comprehensive income for the period	$ 48,632	$ 58,913
Net income per share	$ 0.76	$ 0.95

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 Six Months Ended June 30, 2020	2019
	(Unaudited)	
Revenue		
IOC royalties	$ 93,828	$ 91,106
IOC commissions	916	797
Interest and other income	267	611
	95,011	92,514
Expenses		
Newfoundland royalty taxes	18,766	18,221
Amortization of royalty and commission interests	3,267	2,933
Administrative expenses	1,373	1,559
	23,406	22,713
Income before equity earnings and income taxes	71,605	69,801
Equity earnings in IOC	53,360	56,344
Income before income taxes	124,965	126,145
Provision for income taxes (note 6)		
Current	22,407	21,838
Deferred	7,050	3,860
	29,457	25,698
Net income for the period	95,508	100,447
Other comprehensive loss		
Share of other comprehensive loss of IOC that will not be reclassified subsequently to profit or loss (net of income taxes of 2020 – $80; 2019 – $184)	(452)	(1,042)
Comprehensive income for the period	$ 95,056	$ 99,405
Net income per share	$ 1.49	$ 1.57

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 Six Months Ended June 30, 2020	2019
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	$ 95,508	$ 100,447
Items not affecting cash:		
Equity earnings in IOC	(53,360)	(56,344)
Current income taxes	22,407	21,838
Deferred income taxes	7,050	3,860
Amortization of royalty and commission interests	3,267	2,933
Common share dividend from IOC	—	25,440
Change in amounts receivable	(10,982)	(8,532)
Change in accounts payable	2,093	1,408
Income taxes paid	(17,716)	(18,250)
Cash flow from operating activities	48,267	72,800
Financing		
Dividend paid to shareholders	(89,600)	(105,600)
Cash flow used in financing activities	(89,600)	(105,600)
Decrease in cash, during the period	(41,333)	(32,800)
Cash, beginning of period	77,859	80,495
Cash, end of period	$ 36,526	$ 47,695

See accompanying notes to interim condensed consolidated financial statements.

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

(in thousands of Canadian dollars)	**Share capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Total**
		(Unaudited)		
Balance as at December 31, 2018	$ 317,708	$ 280,759	$ (7,616)	$ 590,851
Adjustment on initial application of IFRS 16		(93)		(93)
Net income for the period	—	100,447	—	100,447
Dividends declared to shareholders	—	(124,800)	—	(124,800)
Share of other comprehensive loss from investment in IOC (net of taxes)	—	—	(1,042)	(1,042)
Balance as at June 30, 2019	$ 317,708	$ 256,313	$ (8,658)	$ 565,363
Balance as at December 31, 2019	$ 317,708	$ 230,005	$ (10,376)	$ 537,337
Net income for the period	—	95,508	—	95,508
Dividends declared to shareholders	—	(51,200)	—	(51,200)
Share of other comprehensive loss from investment in IOC (net of taxes)	—	—	(452)	(452)
Balance as at June 30, 2020	$ 317,708	$ 274,313	$ (10,828)	$ 581,193

See accompanying notes to interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars)

1. Corporate Information

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

Seasonality

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

2. Basis of Presentation

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

These interim condensed consolidated financial statements and management's discussion and analysis were authorized for issuance by the Board of Directors of the Corporation on August 6, 2020.

3. Significant Accounting Policies

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

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

ore markets evolves, management will continue to assess its impact on the Corporation's investment in IOC and the IOC royalty and commission interests.

4. Amounts Receivable

	June 30, 2020	December 31, 2019
IOC royalties	$ 46,744	$ 35,950
IOC commissions	159	168
Other	234	38
	$ 47,138	$ 36,156

5. Investment in IOC

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

	June 30, 2020	December 31, 2019
Investment in IOC, beginning of period	$ 381,310	$ 382,704
Equity earnings in IOC	53,360	112,076
Other comprehensive loss of IOC	(532)	(3,247)
Adjustment on initial application of IFRS 16	—	(109)
Common share dividend received	—	(110,114)
Investment in IOC, end of period	$ 434,138	$ 381,310

The net excess of cost of the Investment in IOC over the net book value of the Corporation's proportionate interest in the underlying net assets of IOC amounts to $41,806 as at June 30, 2020 (December 31, 2019 – $42,365) and is being amortized to net income on the units-of-production method based on production and mineral reserve and resource estimates at IOC.

6. Income Taxes

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Income before income taxes	$ 63,702	$ 74,605	$ 124,965	$ 126,145
Income taxes at combined federal and provincial statutory tax rates of 30.0%	19,111	22,382	37,490	37,844
(Decrease) increase in income taxes resulting from:				
Undistributed equity earnings in investment in IOC	(4,304)	(5,090)	(8,004)	(8,452)
Equity earnings distributed as dividends	—	(3,816)	—	(3,816)
Other	37	29	(29)	122
Income tax expense	$ 14,844	$ 13,505	$ 29,457	$ 25,698

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

The deferred tax liability is comprised of the following:

	Opening Balance	Recognized in net income	Recognized in other comprehensive loss	Closing Balance
December 31, 2019				
Difference in tax and book value of assets	$ 122,431	$ (1,542)	$ (487)	$ 120,402
Adjustment on initial application of IFRS 16	(16)			(16)
Tax benefit of deductible temporary differences	(671)	125	—	(546)
Net deferred income tax liability	$ 121,744	$ (1,417)	$ (487)	$ 119,840
June 30, 2020				
Difference in tax and book value of assets	$ 120,386	$ 7,025	$ (80)	$ 127,331
Tax benefit of deductible temporary differences	(546)	25	—	(521)
Net deferred income tax liability	$ 119,840	$ 7,050	$ (80)	$ 126,810

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 June 30, 2020 was comprised of salaries, Restricted Share Units ("RSUs"), and fees totaling $426 (2019 – $354). Their remuneration for the six months ended June 30, 2020 was comprised of salaries, RSUs, and fees totaling $662 (2019 – $732).

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 June 30, 2020, there were 24,152 (2019 – 16,255) RSUs awarded and outstanding. For the three month and six month period ended June 30, 2020, compensation expense of approximately $131 (2019 – $105) and $78 (2019 – $184) was accrued in connection with the RSUs.

Corporate Information

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Directors

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

William J. Corcoran(1)
Company Director

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

William H. McNeil
Company Director

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

Dorothea E. Mell(1)
Company Director

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

Patricia M. Volker(1)
Company Director

Officers

William H. McNeil
Non-Executive Chair of the Board

John F. Tuer
President and Chief Executive Officer

Sandra L. Rosch
Executive Vice President

Alan R. Thomas
Chief Financial Officer

Robert O. Hansen
Secretary

(1) Member of Audit, Nominating and Compensation Committees

Registrar & Transfer Agent

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McCarthy Tétrault LLP
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Auditors

PricewaterhouseCoopers LLP
Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange

Symbol

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