

LABRADOR IRON ORE
ROYALTY CORPORATION

2022



**FIRST QUARTER
REPORT**

84 YEARS IN LABRADOR WEST

REPORT TO SHAREHOLDERS

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

The Directors of Labrador Iron Ore Royalty Corporation (“LIORC” or the “Corporation”) present the first quarter report for the period ended March 31, 2022.

Financial Performance

In the first quarter of 2022, LIORC’s financial results were negatively impacted by lower sales of concentrate and lower average realized concentrate and pellet prices. Royalty revenue for the first quarter of 2022 amounted to \$53.7 million compared to \$65.2 million for the first quarter of 2021. Equity earnings from Iron Ore Company of Canada (“IOC”) were \$40.4 million in the first quarter of 2022 compared to \$57.0 million in the first quarter of 2021. Net income per share for the first quarter of 2022 was \$0.99 per share, which was a 27% decrease over the same period in 2021. The adjusted cash flow per share for the first quarter of 2022 was \$0.47 per share, which was 46% lower than in the same period in 2021, as a result of lower royalty revenues and the decision by IOC to not pay a dividend in the first quarter of 2022. In the first quarter of 2021, LIORC received a dividend in the amount of \$19.0 million from IOC.

Decreased demand for iron ore by steel producers, partially offset by lower supply, led to lower iron ore prices in the first quarter of 2022. According to the World Steel Association, global crude steel production in the first quarter of 2022 decreased 6% over the first quarter of 2021 and crude steel production in China, which accounts for over 70% of all seaborne iron ore demand, was 9% lower in the first quarter of 2022 compared to the same quarter of 2021. Steel production in China was lower partly as a result of the continuation of the restrictions imposed on Chinese steel production that were initiated in the second half of 2021. At the same time, some of the world’s largest suppliers of seaborne iron ore reported lower production in the first quarter of 2022, compared to the first quarter of 2021. Iron ore production by Rio Tinto was lower by 6%, as ongoing mine depletion was not offset by mine replacement projects and COVID-19 constraints impacted labour supply and iron ore production by Vale was lower by 6%, due to heavy rains in January and March, along with licensing delays at its Northern System.

IOC sells concentrate for sale (“CFS”) based on the Platts index for 65% Fe, CFR China (“65% Fe index”). In the first quarter of 2022, the 65% Fe index averaged US\$170 per tonne, an 11% decrease over the average of US\$191 per tonne in the first quarter of 2021. The monthly Atlantic Blast Furnace 65% Fe pellet premium index as quoted by Platts (the “pellet premium”) averaged US\$67 per tonne in the first quarter of 2022, up substantially from an average of US\$43 in the same quarter of 2021, on strong demand for pellets from both blast furnace and direct reduction iron markets, and supply constraints from Brazil and the Commonwealth of Independent States. Overall, the average price realized by IOC for CFS and pellets, FOB Sept-Îles, net of selling costs was approximately \$219 per tonne in the first quarter of 2022, compared to approximately \$226 per tonne in the first quarter of 2021.

REPORT TO SHAREHOLDERS

Iron Ore Company of Canada Operations

Operations

IOC concentrate production in the first quarter of 2022 of 4.4 million tonnes was approximately the same as the same period of 2021, and 8% lower than the fourth quarter of 2021. Concentrate production in the first quarter of 2022 was negatively affected by intermittent periods of a lack of feed at the concentrator due to the mine and ore delivery system issues. IOC saleable production (CFS plus pellets) of 4.1 million tonnes in the first quarter of 2022 was 3% higher than the same period in 2021. Pellet production of 2.5 million tonnes was 2% lower than the corresponding quarter in 2021, mainly due to issues with the flux hopper and conveyor belts in the pellet feed system, a lack of feed at certain times from the concentrator and the idling of machines to prioritize concentrate for sale in order to meet sales commitments. CFS production of 1.6 million tonnes was 10% higher than the same quarter last year due to the lower production of pellets.

Sales as Reported for the LIORC Royalty

Total iron ore sales tonnage by IOC (CFS plus pellets) of 3.6 million tonnes in the first quarter of 2022 was 13% lower than the total sales tonnage for the same period in 2021, and 19% lower than the fourth quarter of 2021, predominantly due to equipment failures (ship loader cable, conveyor drive pulley and belt tear), inventory availability, and manpower constraints due to COVID-19. Pellet sales tonnages were 1% lower than the same quarter last year and 16% lower than the fourth quarter of 2021. CFS sales tonnages were 31% lower than the same quarter last year and 25% lower than the fourth quarter of 2021.

Outlook

Rio Tinto's 2022 guidance for IOC's saleable production (CFS plus pellets) remains at 17.0 million to 18.7 million tonnes. This compares to 16.6 million tonnes of saleable production in 2021. As reported in the 2021 Annual Report, IOC has ambitious capital expenditure plans to continue renewing the asset infrastructure and to improve the production results at IOC. These initiatives will be of benefit to LIORC as both an equity holder and a royalty holder.

There are a number of issues affecting the outlook for the seaborne iron ore market. The current COVID-19 crisis in China is negatively impacting China's economic outlook as a result of the widespread lock-downs being imposed as part of China's zero COVID-19 strategy. There also remains significant uncertainty regarding the economic health of the property markets in China. In addition, China recently announced that as part of its efforts to improve the decarbonization of the steel industry, it will ensure that crude steel production in 2022 does not exceed 2021 levels. Finally, the war in Ukraine has resulted in the disruption of some traditional sources of iron ore supply.

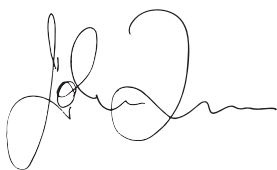
It is unclear as to the longer-term effects that these events will have on the market. However, despite these uncertainties, seaborne iron ore prices remain attractive from a historical perspective. Since the end of the first quarter iron ore prices have strengthened. In April 2022, the average price of the 65% Fe index was US\$175 per tonne, or 2% higher than

REPORT TO SHAREHOLDERS

the average of the 65% Fe index for the first quarter of 2022. The pellet premium for April was US\$82 per tonne compared to the average of US\$67 per tonne in the first quarter of 2022. To put these prices in a longer-term historical context, the average of the 65% Fe index and the pellet premium over the five years ending December 31, 2021 were US\$118 and US\$50, respectively. As a result, we remain positive about the outlook for IOC and LIORC remains well positioned to continue to benefit from the current iron ore pricing environment through royalty revenues and expected future dividends from IOC.

The LIORC cash balance at March 31, 2022 stood at \$13.5 million before LIORC dividends payable on April 26, 2022 of \$0.50 per share or \$32.0 million. The net royalty from IOC was received by LIORC on the same date, maintaining the Corporation's strong cash balance.

Respectfully submitted on behalf of the Directors of the Corporation,

A handwritten signature in black ink, appearing to read 'John F. Tuer', with a stylized, flowing script.

John F. Tuer
President and Chief Executive Officer
May 5, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis section of Labrador Iron Ore Royalty Corporation's ("LIORC" or the "Corporation") 2021 Annual Report, and the financial statements and notes contained therein and the March 31, 2022 interim condensed consolidated financial statements.

Overview of the Business

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 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.

Financial Highlights

	Three Months Ended March 31,	
	2022	2021
	<i>(Unaudited)</i>	
	<i>(\$ in millions except per share information)</i>	
Revenue	54.2	65.7
Equity earnings from IOC	40.4	57.0
Net income	63.2	86.6
Net income per share	\$0.99	\$1.35
Dividend from IOC	—	19.0
Cash flow from operations	4.1	42.7
Cash flow from operations per share ⁽¹⁾	\$0.06	\$0.67
Adjusted cash flow ⁽¹⁾	29.8	55.4
Adjusted cash flow per share ⁽¹⁾	\$0.47	\$0.87
Dividends declared per share	\$0.50	\$1.00

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

The lower revenue, net income and equity earnings achieved in the first quarter of 2022 as compared to 2021 were mainly due to lower concentrate sales and lower iron ore prices, partly offset by higher pellet premiums. The first quarter of 2022 sales tonnages (CFS plus pellets) were lower by 13% predominantly due to equipment failures (ship loader cable,

MANAGEMENT'S DISCUSSION AND ANALYSIS

conveyor drive pulley and belt tear), inventory availability, and manpower constraints due to COVID-19. Pellet sales were 1% lower and CFS sales were 31% lower than the same quarter in 2021.

The lower sales tonnages and a decrease in the average realized sales price of pellets and CFS, resulted in royalty income of \$53.7 million for the quarter as compared to \$65.2 million for the same period in 2021. First quarter 2022 cash flow from operations was \$4.1 million or \$0.06 per share compared to \$42.7 million or \$0.67 per share for the same period in 2021. There was no IOC dividend received by LIORC in the first quarter of 2022 compared to \$19.0 million or \$0.30 per share IOC dividend received for the same period in 2021. Equity earnings from IOC amounted to \$40.4 million or \$0.63 per share in the first quarter of 2022 compared to \$57.0 million or \$0.89 per share for the same period in 2021.

Operating Highlights

IOC Operations	Three Months Ended March 31,	
	2022	2021
	(in millions of tonnes)	
Sales⁽¹⁾		
Pellets	2.43	2.44
Concentrate for sale ("CFS") ⁽²⁾	1.16	1.68
Total ⁽³⁾	3.58	4.12
Production		
Concentrate produced	4.39	4.40
Saleable production		
Pellets	2.46	2.51
CFS	1.64	1.48
Total ⁽³⁾	4.09	3.99
Average index prices per tonne (US\$)		
65% Fe index ⁽⁴⁾	\$ 170	\$ 191
62% Fe index ⁽⁵⁾	\$ 142	\$ 167
Pellet premium ⁽⁶⁾	\$ 67	\$ 43

(1) For calculating the royalty to LIORC.

(2) Excludes third party ore sales.

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

(4) The Platts index for 65% Fe, CFR China.

(5) The Platts index for 62% Fe, CFR China.

(6) The Platts Atlantic Blast Furnace 65% Fe pellet premium index.

MANAGEMENT’S DISCUSSION AND ANALYSIS

IOC sells CFS based on the 65% Fe index. In the first quarter of 2022, the 65% Fe index averaged US\$170 per tonne, an 11% decrease over the average of US\$191 per tonne in the first quarter of 2021. Iron ore prices decreased partly as a result of lower steel production in China as restrictions imposed on Chinese steel production that were initiated in the second half of 2021 continued during the quarter. At the same time, the expected supply of seaborne iron ore by some of the large producers was lower than expected. The monthly pellet premium averaged US\$67 per tonne in the first quarter of 2022, up substantially from an average of US\$43 in the same quarter of 2021, which had been negatively impacted by a reduction in demand from European steel producers due to COVID-19.

The average price realized by IOC for CFS and pellets, FOB Sept-Îles, net of selling costs was approximately \$219 per tonne in the first quarter of 2022 compared to \$226 per tonne in the first quarter of 2021. The decrease in the average realized price FOB Sept-Îles in 2022 was a result of lower CFS prices, partially offset by higher pellet premiums.

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 \$0.06 for the quarter (2021 – \$0.67).

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.

	3 Months Ended Mar. 31, 2022	3 Months Ended Mar. 31, 2021
	<i>(in thousands except for per share information)</i>	
Standardized cash flow from operating activities	\$ 4,140	\$42,686
Changes in amounts receivable, accounts payable and income taxes payable	25,702	12,724
Adjusted cash flow	\$29,842	\$55,410
Adjusted cash flow per share	\$ 0.47	\$ 0.87

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

The Corporation had \$13.5 million in cash as at March 31, 2022 (December 31, 2021 – \$82.9 million) with total current assets of \$70.3 million (December 31, 2021 – \$132.6 million). The Corporation had working capital of \$27.4 million as at March 31, 2021 (December 31, 2021 – \$29.6 million). The Corporation's operating cash flow was \$4.1 million and the dividend paid during the quarter was \$73.6 million, resulting in cash balances decreasing by \$69.5 million during the first quarter of 2022.

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, 2024 with provision for annual one-year extensions. No amount is currently drawn under this facility (2021 – nil) leaving \$30.0 million available to provide for any capital required by IOC or requirements of the Corporation.

A handwritten signature in black ink, appearing to read 'John F. Tuer', with a stylized, flowing script.

John F. Tuer
President and Chief Executive Officer

Toronto, Ontario
May 5, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

Forward-Looking Statements

This report may contain “forward-looking” statements that involve risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as “may”, “will”, “expect”, “believe”, “plan”, “intend”, “should”, “would”, “anticipate” and other similar terminology are intended to identify forward-looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance as of the date of this report. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly, including iron ore price and volume volatility; the performance of IOC; market conditions in the steel industry; fluctuations in the value of the Canadian and U.S. dollar; mining risks that cause a disruption in operations and availability of insurance; disruption in IOC’s operations caused by natural disasters, severe weather conditions and public health crises, including the COVID-19 outbreak; failure of information systems or damage from cyber security attacks; adverse changes in domestic and global economic and political conditions; changes in government regulation and taxation; national, provincial and international laws, regulations and policies regarding climate change that further limit the emissions of greenhouse gases or increase the costs of operations for IOC or its customers; changes affecting IOC’s customers; competition from other iron ore producers; renewal of mining licences and leases; relationships with indigenous groups; litigation; and uncertainty in the estimates of reserves and resources. A discussion of these factors is contained in LIORC’s annual information form dated March 11, 2022 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)

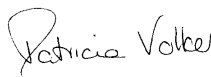
	As at	
	March 31, 2022	December 31, 2021
	<i>(Unaudited)</i>	
Assets		
Current Assets		
Cash and short-term investments	\$ 13,453	\$ 82,913
Amounts receivable (note 4)	52,635	49,681
Income taxes recoverable	4,187	—
Total Current Assets	70,275	132,594
Non-Current Assets		
Iron Ore Company of Canada (“IOC”) royalty and commission interests	234,036	235,341
Investment in IOC (note 5)	461,755	421,376
Total Non-Current Assets	695,791	656,717
Total Assets	\$ 766,066	\$ 789,311
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 10,850	\$ 10,786
Dividend payable	32,000	73,600
Taxes payable	—	18,625
Total Current Liabilities	42,850	103,011
Non-Current Liabilities		
Deferred income taxes (note 6)	127,910	122,240
Total Liabilities	170,760	225,251
Shareholders' Equity		
Share capital	317,708	317,708
Retained earnings	289,018	257,772
Accumulated other comprehensive loss	(11,420)	(11,420)
	595,306	564,060
Total Liabilities and Shareholders' Equity	\$ 766,066	\$ 789,311

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

	For the Three Months Ended March 31,	
	2022	2021
<i>(in thousands of Canadian dollars except for per share information)</i>		
	<i>(Unaudited)</i>	
Revenue		
IOC royalties	\$ 53,748	\$ 65,248
IOC commissions	353	406
Interest and other income	63	65
	54,164	65,719
Expenses		
Newfoundland royalty taxes	10,750	13,050
Amortization of royalty and commission interests	1,305	1,466
Administrative expenses	884	771
	12,939	15,287
Income before equity earnings and income taxes	41,225	50,432
Equity earnings in IOC	40,379	56,977
Income before income taxes	81,604	107,409
Provision for income taxes (note 6)		
Current	12,688	15,501
Deferred	5,670	5,260
	18,358	20,761
Net income for the period	63,246	86,648
Comprehensive income for the period	\$ 63,246	\$ 86,648
Net income per share	\$ 0.99	\$ 1.35

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 Three Months Ended March 31,	
	2022	2021
	(Unaudited)	
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income for the period	\$ 63,246	\$ 86,648
Items not affecting cash:		
Equity earnings in IOC	(40,379)	(56,977)
Current income taxes	12,688	15,501
Deferred income taxes	5,670	5,260
Amortization of royalty and commission interests	1,305	1,466
Common share dividend from IOC	—	19,013
Change in amounts receivable	(2,954)	(12,858)
Change in accounts payable	64	2,034
Income taxes paid	(35,500)	(17,401)
Cash flow from operating activities	4,140	42,686
Financing		
Dividend paid to shareholders	(73,600)	(115,200)
Cash flow used in financing activities	(73,600)	(115,200)
Decrease in cash, during the period	(69,460)	(72,514)
Cash, beginning of period	82,913	106,091
Cash, end of period	\$ 13,453	\$ 33,577

See accompanying notes to interim condensed consolidated financial statements.

LABRADOR IRON ORE ROYALTY CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
<i>(in thousands of Canadian dollars)</i>				
	<i>(Unaudited)</i>			
Balance as at December 31, 2020	\$ 317,708	\$262,000	\$(13,340)	\$566,368
Net income for the period	—	86,648	—	86,648
Dividend declared to shareholders	—	(64,000)	—	(64,000)
Balance as at March 31, 2021	<u>\$ 317,708</u>	<u>\$284,648</u>	<u>\$(13,340)</u>	<u>\$589,016</u>
Balance as at December 31, 2021	\$ 317,708	\$257,772	\$(11,420)	\$564,060
Net income for the period	—	63,246	—	63,246
Dividend declared to shareholders	—	(32,000)	—	(32,000)
Balance as at March 31, 2022	<u>\$ 317,708</u>	<u>\$289,018</u>	<u>\$(11,420)</u>	<u>\$595,306</u>

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 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.

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 Quebec 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.

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 May 5, 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, 2021. 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, 2021.

4. Amounts Receivable

	March 31, 2022	December 31, 2021
IOC royalties	\$52,142	\$49,530
IOC commissions	168	136
Other	325	15
	<u>\$52,635</u>	<u>\$49,681</u>

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

	March 31, 2022	December 31, 2021
Investment in IOC, beginning of period	\$421,376	\$ 417,284
Equity earnings in IOC	40,379	229,590
Other comprehensive income of IOC	—	2,259
Common share dividend received	—	(227,757)
Investment in IOC, end of period	<u>\$461,755</u>	<u>\$ 421,376</u>

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 \$40,028 as at March 31, 2022 (December 31, 2021 – \$40,251) and is being amortized to net income on the units-of-production method based on actual production in the current year and estimated production of iron ore over the life of mine at IOC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 March 31,	
	2022	2021
Income before income taxes	\$81,604	\$107,409
Income taxes at combined federal and provincial statutory tax rates of 30.0%	24,481	32,223
(Decrease) increase in income taxes resulting from:		
Undistributed equity earnings in investment in IOC	(6,057)	(8,547)
Equity earnings distributed as dividends	—	(2,852)
Other	(66)	(63)
Income tax expense	\$18,358	\$ 20,761

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The deferred tax liability is comprised of the following:

	Opening Balance	Recognized in net income	Recognized in other comprehensive income	Closing Balance
December 31, 2021				
Difference in tax and book value of assets	\$123,925	\$(1,575)	\$339	\$122,689
Tax benefit of deductible temporary differences	(495)	46	—	(449)
Net deferred income tax liability	\$123,430	\$(1,529)	\$339	\$122,240
March 31, 2022				
Difference in tax and book value of assets	\$122,689	\$ 5,660	\$ —	\$128,349
Tax benefit of deductible temporary differences	(449)	10	—	(439)
Net deferred income tax liability	\$122,240	\$ 5,670	\$ —	\$127,910

7. Key Management Personnel Compensation

Key management personnel are the President and Chief Executive Officer, the Executive Vice President, the Chief Financial Officer and directors. Their remuneration for the three months ended March 31, 2022 was comprised of salaries, Restricted Share Units (“RSUs”), and fees totaling \$441 (2021 – \$443).

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 March 31, 2022, there were 12,688 (2021 – 16,034) RSUs awarded and outstanding. For the three month period ended March 31, 2022, compensation expense of approximately \$188 (2021 – \$181) 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

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

William H. McNeil
Company Director

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

Dorothea E. Mell⁽¹⁾
Company Director

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

Patricia M. Volker⁽¹⁾
Company Director

Officers

William H. McNeil
Chair of the Board

John F. Tuer
President and Chief Executive Officer

Sandra L. Rosch
Executive Vice President

Alan R. Thomas
Chief Financial Officer

Robert O. Hansen
Secretary

(1) *Member of Audit, Nominating and
Compensation Committees*

Registrar & Transfer Agent

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Toronto, Ontario
M5J 2Y1

Legal Counsel

McCarthy Tétrault LLP
Toronto, Ontario

Auditors

PricewaterhouseCoopers LLP
Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange

Symbol

LIF

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