Corporate Information

Labrador Iron Ore Royalty Corporation ("LIORC") is a Canadian corporation resulting from the conversion of the Labrador Iron Ore Royalty Income Fund (the "Fund") under an Arrangement effective on July 1, 2010. LIORC is also the successor by amalgamation under the Arrangement of Labrador Mining Company Limited, formerly a wholly-owned subsidiary of the Fund. Under the Arrangement, the Fund distributed $248 million of subordinated notes to its unitholders and the unitholders exchanged their units of the Fund for common shares of LIORC.

Effective on October 3, 2012 the subordinated notes were exchanged for common shares and the common shares were consolidated, with the result that each holder ended up holding the same number of common shares as before the exchange, and LIORC had 64 million common shares outstanding. The common shares trade on The Toronto Stock Exchange under the symbol LIF. Interest on the subordinated notes ceased to accrue on September 30, 2012.

LIORC, 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") and receives a 7% gross overriding royalty and a 10 cent per tonne commission on all iron ore products produced, sold and shipped by IOC.

Generally, LIORC pays cash dividends from its net income to the maximum extent possible, subject to the maintenance of appropriate levels of working capital. The common shareholders will continue to receive quarterly dividends on the common shares on the 25th day of the month following the end of each quarter.

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.

LIORC has a Board of eight directors, an Audit Committee, a Compensation Committee and a Nominating Committee. The Committees are composed of independent directors. Scotia Managed Companies Administration Inc., pursuant to an administration agreement, acts as the administrator of LIORC.

About Iron Ore Company of Canada

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

IOC has ore reserves sufficient for at least 30 years at the current rate of production, with additional resources of a greater magnitude. Currently it has the capacity to extract around 43 million tonnes of crude ore annually. A new primary crusher and overland conveyor have been commissioned and are expected to increase the quantity of ore delivered to the concentrator to 55 million tonnes per annum. The crude ore is processed into iron ore concentrate and then either sold or converted into different qualities of iron ore pellets to meet its customers needs. The iron ore concentrate and pellets are transported to IOC's port facilities at Sept-Iles, Quebec via its wholly-owned Quebec North Shore and Labrador Railway, a 418 kilometer rail line which links the mine and the port. From there, the products are shipped to markets throughout North America, Europe, the Middle East and the Asia–Pacific region.

IOC's 2012 sales totalled 14.1 million tonnes comprised of 4.2 million tonnes of iron ore concentrate and 9.9 million tonnes of iron ore pellets. Production was affected by mine voltage stabilization and reliability of trucks and shovels in the first quarter and delays in the new primary crusher and overland conveyor which constrained ore delivery and concentrate production. IOC generated revenues of $1,963 million in 2012 (2011 - $2,443 million). IOC sales traditionally are approximately 35% in North America, 35% in Europe, 25% in the Asia-Pacific region and minor amounts in other areas. The strong market in Asia with some weakness in North America and Europe resulted in more sales in Asia in 2011.

Iron ore prices were reasonably strong in the first half of the year but suddenly weakened sharply in the third quarter, with a partial recovery occurring in the fourth quarter.

In May, 2010 IOC announced the resumption of its expansion program to increase its annual concentrate production capacity by 4 million tonnes per annum to 22 million tonnes per annum. A new primary crusher and conveyor system were basically completed in 2012. On February 8, 2011, IOC also announced the restart of the second stage of its expansion program which can increase capacity by 1.3 million tonnes. This is more than 80% complete and increased production should result in the second half of 2013. The third stage is still under study. On August 16, 2011, IOC announced it would undertake a study to evaluate options to increase production to 50 million tonnes from 2016, but this is suspended because of volatile iron ore markets.

In March 2012, IOC successfully secured a six-year labour contract with its unions, without disruption. The contract will enable IOC to be competitive and attract and retain necessary skills.

IOC Royalty

LIORC holds certain mining leases and mining licenses covering approximately 18,200 hectares of land near Labrador City. IOC has leased certain portions of these lands from which it currently mines iron ore. In return, IOC pays LIORC a 7% gross overriding royalty on all sales of iron ore products produced from these lands. A 20% tax on the royalty is payable to the Government of Newfoundland and Labrador. For the five years prior to 2012, the average royalty (net of the 20% tax) had been approximately $100.3 million per year and in 2012 was $98.0 million (2011 – $128.6 million).

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

IOC Equity

In addition to the royalty interest, LIORC, directly and through Hollinger-Hanna, owns a 15.10% equity interest in IOC. The other shareholders of IOC are Rio Tinto Limited with 58.72% and Mitsubishi Corporation with 26.18%. Because of a high level of capital expenditures no dividend was received in 2012 (2011 - $60.2 million)

IOC Commissions

Hollinger-Hanna has the right to receive a payment of 10 cents per tonne on the products sold by IOC. Pursuant to an agreement, IOC is obligated to make the payment to Hollinger-Hanna so long as Hollinger-Hanna is in existence and solvent. In 2012, Hollinger-Hanna received a total of $1.4 million in commissions from IOC (2011 - $1.3 million).

Taxation

LIORC is a taxable corporation under the Income Tax Act (Canada) and is subject to income tax on its net income. The primary income of LIORC is royalties from IOC. Expenses of LIORC include interest and administrative expenses. Dividends from IOC and Hollinger-Hanna are received by LIORC tax free.

All dividends paid by LIORC on its common shares are eligible dividends under the Act.