Management's Discussion and Analysis

The following is a discussion of the consolidated financial condition and results of operations of the Corporation for the years ended December 31, 2025 and 2024. This discussion should be read in conjunction with the consolidated financial statements of the Corporation and notes thereto for the years ended December 31, 2025 and 2024 which are prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all amounts are shown in Canadian dollars unless otherwise indicated.

Overview of the Business

The Corporation is a Canadian corporation resulting from the conversion of 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, formerly a wholly-owned subsidiary of the Fund, that occurred pursuant to the plan of arrangement.

The Corporation is economically dependent on the operations of IOC. IOC's earnings and cash flows are affected by the volume and mix of iron ore products produced and sold, costs of production and the prices received. Iron ore demand and prices fluctuate and are affected by numerous factors which include demand for steel and steel products, the relative exchange rate of the US dollar, global and regional demand and production, political and economic conditions and production costs in major producing areas.

Financial Highlights

Financial and Operating Highlights

	Three Months Ended December 31,		Year Ended December 31,	
	2025	2024	2025	2024
	($ in millions except per share information)			
Revenue	39.5	56.9	166.5	209.0
Equity earnings from IOC	1.7	(1.9)	15.9	60.6
Net income	22.3	31.9	100.6	175.0
Net income per share	$ 0.35	$ 0.51	$ 1.57	$ 2.73
Dividend from IOC	-	21.8	-	83.6
Cash flow from operations	22.0	46.8	97.1	201.9
Cash flow from operations per share(1)	$ 0.34	$ 0.73	$ 1.52	$ 3.15
Adjusted cash flow(1)	21.7	53.1	91.5	199.0
Adjusted cash flow per share(1)	$ 0.34	$ 0.83	$ 1.43	$ 3.11
Dividends declared per share	$ 0.35	$ 0.75	$ 1.55	$ 3.00

(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 achieved in 2025 as compared to 2024 was mainly due to a decrease in sales volume at IOC and lower iron ore prices and pellet premiums The IOC saleable production in 2025 was 2% lower than 2024 due to several operational challenges related to pit health and mine equipment reliability that constrained ore availability and reduced ore feed to the concentrator. Total sales tonnage (pellets and CFS) at IOC was 7% lower in 2025 than 2024, predominantly as a result of lower saleable production and timing differences resulting from transportation and shipping schedules. Iron ore prices were lower as global demand for steel decreased and total seaborne iron ore shipments increased. Pellet premiums were lower as low profit margins caused steel producers to favour cheaper, low quality iron ore over high quality iron ore products.

Net income per share for 2025 was 42% lower than 2024, as equity earnings in IOC were 74% lower than in 2024 due to lower profitability at IOC. Cash flow from operations for 2025 was 52% lower than in 2024, mainly due to lower royalty revenues and IOC's decision not to pay a dividend in 2025 due to the decrease in earnings at IOC.

Fourth quarter 2025 sales tonnage (pellets and CFS) was lower year-over-year by 9% due to lower saleable production resulting in lower inventory availability. Royalty revenue was $39.1 million for the quarter as compared to $56.1 million for the same period in 2024. Fourth quarter 2025 cash flow from operations was $22.0 million or $0.34 per share compared to fourth quarter 2024 cash flow from operations of $46.8 million or $0.73 per share. LIORC received no IOC dividend in the fourth quarter of 2025 (2024 - $21.7 million or $0.34 per share). Equity earnings from IOC amounted to $1.7 million or $0.03 per share in the fourth quarter of 2025 compared to equity losses of $1.9 million or $0.03 per share for the same period in 2024.

Operating Highlights

IOC Operations	Three Months Ended December 31, 2025	Three Months Ended December 31, 2024	Year Ended December 31, 2025	Year Ended December 31, 2024
	(in millions of tonnes)			
Sales[1]				
Pellets	2.65	2.31	9.46	9.32
Concentrate for sale ("CFS")[2]	1.24	1.94	6.23	7.55
Total[3]	3.89	4.25	15.69	16.86
Production				
Concentrate produced	3.81	4.87	16.94	17.32
Saleable production				
Pellets	2.39	2.50	9.35	9.34
CFS	1.34	1.81	6.55	6.75
Total[3]	3.72	4.31	15.91	16.09
Average index prices per tonne (US$)				
65% Fe index[4]	$ 119	$ 118	$ 115	$ 123
62% Fe index[5]	$ 106	$ 103	$ 102	$ 109
Pellet premium[6]	$ 24	$ 38	$ 30	$ 40

(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.*

IOC's total concentrate production in 2025 of 16.9 million tonnes was 2% lower than 2024. While total mine material moved increased modestly compared to 2024, concentrate production continued to be negatively impacted by several operational challenges related to pit health and mine equipment reliability. The stripping ratio (total waste: total ore) in 2025 was 1.13, compared to 1.00 in 2024. In the fourth quarter of 2025, concentrate production was 26% lower compared to the fourth quarter of 2024 as total mine material moved decreased by 34% due to reduced haul truck availability caused by multiple truck chassis failures and subsequent inspection and repair work, that resulted in constrained ore availability and lower ore feed to the concentrator. IOC's total saleable production of 15.9 million tonnes in 2025 was 1% lower than 2024, due to the issues affecting concentrate production referred to above. In 2025, CFS production of 6.6 million tonnes was 3% lower than 2024, mainly due to lower concentrate production and a higher percentage of concentrate being diverted to make pellets. Pellet production in 2025 of 9.4 million tonnes was consistent with the 2024 production.

IOC sells CFS based on the 65% Fe index. In 2025, the average price for the 65% Fe index was US$115 per tonne, a decrease of 7% year over year, as global demand for steel decreased and total seaborne iron ore shipments increased. In addition to the reduction in iron ore prices, pellet premiums dropped as steel producers, faced with lower profit margins, continued to substitute high quality pellets with cheaper, lower quality iron feed. The monthly pellet premium averaged US$30 per tonne in 2025, a decrease of 24% from 2024. Based on sales as reported for the LIORC Royalty, the overall average price realized by IOC for CFS and pellets, FOB Sept-Îles was approximately US$109 per tonne in 2025, a decrease of 13% year over year. The decrease in the average realized price FOB Sept-Îles in 2025 was a result of lower CFS and pellet prices.

Capital expenditures for IOC were US$303 million in 2025, or 19% lower than in 2024. Capital expenditures in 2025 were 11% lower than the US$342 million that IOC had originally forecasted, mainly due to project timing, including planned track and culvert replacements and the deferment of locomotive purchases.

Liquidity and Capital Resources

The Corporation had $14.6 million (2024 - $42.3 million) in cash as at December 31, 2025 with total current assets of $57.7 million (2024 - $95.1 million). The Corporation had working capital of $26.4 million (2024 - $34.1 million). The Corporation's operating cash flow was $97.1 million (2024 - $201.9 million) and dividends paid during the year were $124.8 million, resulting in cash balances decreasing by $27.7 million during 2025.

Cash balances consist of deposits in Canadian dollars and US dollars with a Canadian chartered bank. Accounts 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 the free cash flow generated from IOC 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, 2027 with provision for annual one-year extensions. No amount is currently drawn under this facility (2024 - nil) leaving $30 million available to provide for any capital required by IOC or requirements of the Corporation.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as at December 31, 2025:

	Total	Less than 12 months
	(in millions)	
Accounts payable and accrued liabilities	$ 8.9	$ 8.9

Related Party Transactions

Related party transactions consist of transactions with key management personnel. The Corporation considers members of its Board and senior officers to be key management personnel.

Transactions with key management personnel are disclosed in note 14 to the Financial Statements. In connection with related party transactions, no significant changes occurred in the year ended December 31, 2025.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are disclosed in Note 3 of the financial statements.

Selected Consolidated Financial Information

The following table sets out financial data from a Shareholder's perspective for the three years ended December 31, 2025, 2024 and 2023.

	Years Ended December 31		
Description	2025	2024	2023
	($ in millions except per share information)		
Revenue	166.5	209.0	201.3
Net Income	100.6	175.0	186.3
Net Income per Share	$1.57	$2.73	$2.91
Cash Flow from Operations	97.1	201.9[(1)]	152.5[(2)]
Cash Flow from Operations per Share	$1.52	$3.15[(1)]	$2.38[(2)]
Total Assets	809.4	836.1	837.0
Dividends Declared per Share	$1.55	$3.00	$2.55
Number of Common Shares outstanding	64.0	64.0	64.0

(1) Includes IOC dividends totaling $83.6 million or $1.31 per Share.

(2) Includes IOC dividends totaling $50.4 million or $0.79 per Share.

The following table sets out quarterly revenue, net income, cash flow and dividend data for 2025 and 2024. Due to seasonal weather patterns the first and fourth quarters generally have lower production and sales. Royalty revenues and equity earnings in IOC track iron ore spot prices, which can be very volatile. Dividends, included in cash flow, are declared and paid by IOC irregularly according to the availability of cash.

	Revenue	Net Income	Net Income per Share	Cash Flow from Operations	Cash Flow from Operations per Share	Adjusted Cash Flow per Share[1]	Dividends Declared per Share
	($ in millions except per share information)						
2025							
First Quarter	36.2	21.4	$0.33	24.7	$0.39	$0.31	$0.50
Second Quarter	46.8	26.5	$0.42	17.7	$0.28	$0.40	$0.30
Third Quarter	44.0	30.4	$0.47	32.7	$0.51	$0.38	$0.40
Fourth Quarter	39.5	22.3	$0.35	22.0	$0.34	$0.34	$0.35
2024							
First Quarter	56.7	59.3	$0.93	30.0	$0.47	$0.49	$0.45
Second Quarter	53.1	50.2	$0.78	82.1[2]	$1.28[2]	$1.11[2]	$1.10
Third Quarter	42.3	33.6	$0.53	43.0[3]	$0.67[3]	$0.68[3]	$0.70
Fourth Quarter	56.9	31.9	$0.50	46.8[4]	$0.73[4]	$0.83[4]	$0.75

(1) *"Adjusted cash flow" (see below).*
(2) *Includes $41.5 million IOC dividend.*
(3) *Includes $20.3 million IOC dividend.*
(4) *Includes $21.8 million IOC dividend.*

Standardized Cash Flow and Adjusted Cash Flow

For the Corporation, standardized cash flow is the same as cash flow from operating activities as recorded in the Corporation's cash flow statements as the Corporation does not incur capital expenditures or have any restrictions on dividends. Standardized cash flow per share was $1.52 for 2025 (2024 - $3.15).

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 IFRS. The Directors believe that adjusted cash flow is a useful analytical measure as it better reflects cash available for distributions to Shareholders.

The following reconciles standardized cash flow from operating activities to adjusted cash flow.

	2025	2024
	($ in millions except per share information)	
Cash flow from operating activities	97.1	201.9
Changes in amounts receivable, accounts payable and income taxes recoverable	(5.6)	(3.0)
Adjusted cash flow	91.5	198.9
Adjusted cash flow per share	$1.43	$3.11

Disclosure Controls and Internal Control over Financial Reporting

The President and CEO and the CFO are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Corporation. Two directors serve as directors of IOC and IOC provides monthly reports on its operations to them. The Corporation also relies on financial information provided by IOC, including its audited financial statements, and other material information provided to the President and CEO and the CFO by officers of IOC. IOC is a private corporation, and its financial statements are not publicly available.

The Directors are informed of all material information relating to the Corporation and its subsidiary by the officers of the Corporation on a timely basis and approve all core disclosure documents including the Management Information Circular, the annual and interim financial statements and related Management’s Discussion and Analysis, the Annual Information Form, any prospectuses and all press releases related to the disclosure of quarterly and annual financial statements and the declaration of dividends. An evaluation of the design and operating effectiveness of the Corporation’s disclosure controls and procedures was conducted under the supervision of the President and CEO and CFO. Based on their evaluation, they concluded that the Corporation’s disclosure controls and procedures were effective in ensuring that all material information relating to the Corporation was accumulated and communicated for the year ended December 31, 2025.

The President and CEO and the CFO have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. An evaluation of the design and operating effectiveness of the Corporation’s internal control over financial reporting was conducted under the supervision of the President and CEO and CFO. Based on their evaluation, they concluded that the Corporation’s internal control over financial reporting was effective as of December 31, 2025. In making this assessment, management used the criteria specified in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The preparation of financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Corporation's reported financial results. Estimates are deemed critical when the Corporation's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods.

No material changes in the Corporation's internal control over financial reporting occurred during the year ended December 31, 2025.

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 licenses 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, 2026 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.sedarplus.ca.

Additional Information

Additional information relating to the Corporation, including the Annual Information Form, is on SEDAR+ at www.sedarplus.ca. Additional information is also available on the Corporation's website at www.labradorironore.com.

John F. Tuer
President and Chief Executive Officer
Toronto, Ontario
March 11, 2026