Houston Iron Royalties Limited

Notice of Annual and Special Meeting of Shareholders

NOTICE IS HEREBY GIVEN that an annual and special meeting of the shareholders (the "**Meeting**") of Houston Iron Royalties Limited (the "**Corporation**") will be held on Wednesday, the 20th day of October, 2021 commencing at 12:30 p.m. (Toronto time) for the following purposes:

1. to receive and consider the financial statements of the Corporation for the fiscal year ended March 31, 2021, together with the report of the auditors thereon;
2. to elect two Directors;
3. to pass a special resolution exempting the Corporation from the statutory requirement to appoint an auditor for the financial year ending March 31, 2022; and
4. to transact such further or other business as may properly come before the Meeting or any adjournment(s) thereof.

ATTEND THE MEETING BY TELECONFERENCE

To mitigate potential risks to health and safety associated with the COVID-19 Pandemic, and in compliance with the orders and directives of the Government of Canada, the Province of Ontario and the City of Toronto, the Meeting will be held by teleconference. All shareholders are encouraged to vote on the matters before the Meeting by proxy in the manner set out in the Notice of Meeting.

To allow the Shareholders to participate at the Meeting, the Company is providing a teleconference facility that can be used by Shareholders to follow the conduct of the Meeting.

Teleconference Details:

Date: Wednesday, October 20, 2021

Time: 12:30 p.m. (Eastern Standard Time)

Participants Telephone Numbers:	*Teleconference Only*	
	Canada:	416-764-8610
	N.A. Toll Free	1-888-884-4539
	Guest Code:	9069075#

When prompted, please provide your name, and whether you are a shareholder or a guest.

DATED at the City of Toronto, the Province of Ontario, this 15th day of September 2021.

BY ORDER OF THE BOARD OF DIRECTORS

"John F. Kearney"

John F. Kearney,
Chairman

About Houston Iron Royalties Limited

Houston Iron Royalties Limited ("**HIRL**") is a royalty investment company which holds a royalty interest equal to 2% of the sales proceeds (FOB Port of Sept-Iles) from sales of iron ore from the Houston Project of **Labrador Iron Mines Limited** ("**LIM**"), located in western Labrador and north-eastern Quebec, Canada.

HIRL and LIM share common management, directors and head office location. HIRL's head office is located at 55 University Avenue, Suite 1805, Toronto, Ontario, M5J 2H7, Canada. LIM provides management and administrative services to HIRL at LIM's actual direct cost.

HIRL was inactive during the years ended March 31, 2021 and 2020. The Houston Project is not currently in production. For more information on the Houston Project, please visit LIM's website at www.labradorironmines.ca.

A copy of the Financial Statements of the Corporation for the financial year ended March 31, 2021 together with the report of the auditors thereon accompany this Notice of Annual and Special Meeting and are also available on LIM's website at www.labradorironmines.ca.

HOUSTON IRON ORE PROPERTY

The Houston property ("**Houston**"), is situated in Labrador about 15 km southeast of the town of Schefferville. Together with the Malcolm Deposit, considered to be its northwest extension, Houston and Malcolm comprise the Houston Project.

The Houston Project is an open pit direct shipping iron ore project located near the town of Schefferville, on which an updated, independent Preliminary Economic Assessment ("PEA") was completed in February 2021 and demonstrated production of 2 million dmt of DSO per year, with an initial 12-year mine life, for total production of 23.4 million dmt of product at 62.2% Fe over the life of the mine. Planned operations will involve conventional open pit truck and shovel activities and simple dry crushing and screening for processing.

As an important step in advancing the Houston Project, LIM engaged Roscoe Postle Associates Inc., now part of SLR Consulting Ltd. (collectively, "RPA/SLR"), to complete a National Instrument 43-101("NI 43-101") compliant technical report and preliminary economic assessment (collectively, the "PEA") of the Houston Project.

The PEA was issued in February 2021 with an effective date of December 31, 2020 and is filed on LIM's website and under the profile of Labrador Iron Mines Holdings Limited on www.sedar.com.

Based on the assumptions used, the PEA estimates the Houston Project will generate an undiscounted net cash flow of $234 million and an after-tax net present value at an 8% discount rate ("$NPV_{8\%}$") of $109 million and an after-tax internal rate of return ("IRR") of 39%, under the base case US$90/dmt (62% Fe Sinter Fines CFR China basis) benchmark pricing model.

The project economic results are most sensitive to the iron ore price revenue driver and less sensitive to input operating and capital costs. The PEA notes that using a more recent spot price of US$160/dmt would increase the after-tax $NPV_{8\%}$ to $778 million and the after-tax IRR to 514%, before any assumed price participation by an offtake partner. The PEA also notes that using a spot price of US$160/dmt, adjusted for an assumed 50% price participation above US$90/dmt for an offtake partner would increase the after-tax $NPV_{8\%}$ to $459 million and the after-tax IRR to 209%.

The independent PEA prepared by RPA supports LIM's plan to resume iron ore production from its next phase Houston Project with low re-start capital and robust economics at a time when the global iron ore markets are strong. The PEA estimates initial direct capital costs of $51.3 million, and along with indirect costs, engineering, procurement and construction management (EPCM) costs, owner's costs and contingency, total initial capital expenditures of $86.8 million. The initial capital intensity at only US$33 per annual tonne of production is considered low by industry standards.

The Houston Project's deposits 1 and 2 have undergone extensive regulatory review and approval and are considered ready for construction and with a one-year construction period to production. The Houston Project offers low technical risk, with only building a short gravel road and rail siding as the principal construction components.

Planned Follow-up Initiatives

Subject to funding, LIM plans to further advance development of the Houston Project through a number of near term initiatives, as follows.

(i) Complete metallurgical test work of drill core collected from the Houston Project in a 2013 bulk sample, which is currently in storage. Results of the test work will be used to refine the product specifications and process flowsheet assumed in the PEA. Among other things, this analysis will yield important product characterization information which could be helpful in marketing the product.

(ii) Complete a trade-off study on use of LIM's Redmond property rail right-of-way for the Houston Project's rail loading operations. Although a longer truck haul is required (approximately 1.5 km greater), the Redmond property rail right-of-way was formerly used for loading iron ore trains (by IOC) and includes an existing rail bed with a rail loop at the end to turnaround, versus the current proposed Houston rail siding operation, which requires the train to be split multiple times.

(iii) Update the surface water management plan for the mine site based on the proposed localized handling and treatment of surface contact water.

(iv) Reactivate all necessary regulatory permits and approvals for construction.

(v) Continue engagement with adjacent First Nations communities.

(vi) Advance commercial negotiations with construction contractors, equipment vendors, rail, port and logistics counterparties.

(vii) Further refine the environmental and health and safety plans.

(viii) Further develop the human resources and recruitment plans.

(ix) Complete an off-take contract, including construction financing and product sale components.

LIM believes that successful completion of these initiatives will favourably impact the terms of construction financing, which will be required in early 2022.

Independent Auditor's Report

To the Shareholders of Houston Iron Royalties Limited

Opinion

We have audited the financial statements of Houston Iron Royalties Limited (the "Company"), which comprise the statements of financial position as at March 31, 2021 and 2020, and the statements of operations and comprehensive income, statements of cash flows and statements of changes in shareholders' equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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McGovern Hurley

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

McGovern
Hurley

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 25, 2021

HOUSTON IRON ROYALTIES LIMITED
Statements of Financial Position
(Expressed in Canadian dollars)

	March 31, 2021	March 31, 2020
ASSETS		
Non-current assets		
Royalty interest (Note 5)	$ 7,000,000	$ 1
Total assets	$ 7,000,000	$ 1
LIABILITIES		
Total liabilities	$ -	$ -
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	$ 6,970,704	$ 6,970,704
Deficit	29,296	(6,970,703)
Total shareholders' equity	7,000,000	1
Total liabilities and shareholders' equity	$ 7,000,000	$ 1

Going concern (Note 1)

The financial statements were approved by the Board of Directors on June 25, 2021 and signed on its behalf by:

Signed *"John F. Kearney"*
Director

The accompanying notes form an integral part of these financial statements.

HOUSTON IRON ROYALTIES LIMITED
Statements of Operations and Comprehensive Income
(Expressed in Canadian dollars)

	Year ended March 31, 2021	Year ended March 31, 2020
Revenue	$ -	$ -
Expenses		
Impairment reversal (Note 5)	6,999,999	-
	6,999,999	-
Net income and comprehensive income	$ 6,999,999	$ -
Net income per share	$ 0.20	$ -
Weighted average number of shares outstanding	34,853,518	34,853,518

The accompanying notes form an integral part of these financial statements.

HOUSTON IRON ROYALTIES LIMITED
Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash provided by operating activities		
Net income	$ 6,999,999	$ -
Items not involving cash:		
Impairment reversal (Note 5)	(6,999,999)	-
Cash provided by operating activities	$ -	$ -
Changes in cash and cash equivalents	$ -	$ -
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	$ -	$ -

The accompanying notes form an integral part of these financial statements.

HOUSTON IRON ROYALTIES LIMITED
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share Capital			
	Number	Amount	Deficit	Shareholders' Equity
Balance, March 31, 2019	34,853,518	$ 6,970,704	$ (6,970,703)	$ 1
Net income for the year	-	-	-	-
Balance, March 31, 2020	34,853,518	6,970,704	(6,970,703)	1
Net income for the year	-	-	6,999,999	6,999,999
Balance, March 31, 2021	34,853,518	$ 6,970,704	$ 29,296	$ 7,000,000

The accompanying notes form an integral part of these financial statements.

1. Nature of Operations, Corporate Information and Going Concern

Nature of Operations and Corporate Information

Houston Iron Royalties Limited ("HIRL" or the "Company") was incorporated on September 26, 2016 ("Incorporation Date") by Labrador Iron Mines Limited ("LIM") as a royalty investment company.

These financial statements have been prepared for the years ended March 31, 2020 and 2021.

HIRL's head office is located at 55 University Avenue, Suite 1805, Toronto, Ontario, M5J 2H7, Canada.

On December 19, 2016, HIRL acquired from LIM and its subsidiary Schefferville Mines Inc. ("SMI") a royalty interest equal to 2% of the sales proceeds (FOB Port of Sept-Iles) from sales of iron ore from LIM's Houston property in western Labrador, Canada and from SMI's Malcolm property in north-eastern Quebec, Canada (with such properties collectively referred to as the "Houston Project" and such royalties collectively referred to as the "Houston Royalty"). Refer to Note 5.

In consideration for the acquisition of the Houston Royalty, HIRL issued 35,000,000 common shares to LIM at an issue price of $0.20 per share and LIM transferred the 35,000,000 common shares to arm's length creditors of LIM and SMI.

On December 19, 2016, HIRL entered into a management services agreement with LIM. Pursuant to this agreement, LIM agreed to provide all necessary administrative services, personnel and office infrastructure as HIRL may reasonably request, with such services provided at LIM's actual direct cost. As HIRL was inactive during the years ended March 31, 2020 and 2021, the management fee for such administrative services was waived by LIM. HIRL and LIM share common management, directors and head office location.

Going Concern

As at March 31, 2021, HIRL held only one asset, being the Houston Royalty, and had no working capital. The Houston Royalty, which is a passive asset and represents the right to receive royalties at a future date if and when the Houston Project is brought into production, is not currently generating any royalty payments, as the Houston Project is not currently in production.

HIRL had no obligations or liabilities at March 31, 2021 and the directors of HIRL believe the Company has access to sufficient resources to continue its operations over the next 12 months. LIM has agreed to provide administrative services at cost, which cost is not expected to be significant, and therefore the Company's only commitment over the next 12 months relates to the nominal management services to be provided by LIM, the cost of which LIM has agreed to waive. Accordingly, the financial statements for the year ended March 31, 2021 have been prepared on a going concern basis, using the historical cost convention.

There are no assurances that the Houston Royalty will ever generate royalty payments and there are no assurances that HIRL will be able to generate revenue or obtain financing from an alternative source. If HIRL is unable to generate revenue or obtain financing from an alternative source, HIRL could be required to discontinue as a going concern.

LIM's operations and financial condition, and indirectly the Houston Royalty, could be adversely affected by the effects of the Covid-19 pandemic. LIM has followed the instructions and advice of Federal and Provincial health authorities by working remotely and limiting field activities to help control the spread of the virus. HIRL cannot accurately predict the impact the pandemic will have on LIM's operations, schedules and timelines for planned development of the Houston Project. In addition, the pandemic has disrupted the economies and financial markets of many countries, which could adversely affect the market for the Houston Project's products and/or LIM's ability to secure financing for the Houston Project.

2. Basis of Preparation

The financial statements of HIRL were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

These financial statements were prepared on a going concern basis, under the historical cost convention. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

HIRL does not have any subsidiaries.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires HIRL's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges

Royalty interests are initially recorded at their estimated fair value. Subsequently, royalty interests are tested for impairment if there is an indicator of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount, which is considered to be the higher of the fair value less costs of disposal and value in use, is made. These assessments require the use of estimates and assumptions such as long term commodity prices, discount rates and production volumes. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Value in use is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. These cash flows are discounted by an appropriate discount rate to determine the estimated value in use. Projections inherently require assumptions and judgments to be made about each of the factors affecting future cash flows. Changes in any of these assumptions or judgments could result in a significant difference in the recoverable amount.

Mineral resources

Mineral resources are estimates of the amount of mineral product that can be extracted from a mineral property, subject to certain ore specifications. Mineral resource estimates are an integral component of the determination of the fair value of HIRL's royalty interests. In calculating mineral resources, estimates and assumptions are required about a range of geological and technological factors, including, among other things, quantities, grades, production techniques, production rates and recovery rates. Mineral resources, unlike mineral reserves, do not have demonstrated economic viability.

4. Significant Accounting Policies

Functional currency, presentation currency and foreign currency transactions

The Canadian dollar is the functional and presentation currency of HIRL. Amounts receivable and payable denominated in foreign currencies are translated at exchange rates in effect at the reporting date and revenues and expenses denominated in foreign currencies are translated at exchange rates in effect at the transaction date.

Royalty interests

Royalty interests are carried at cost less accumulated amortization and impairment charges. Amortization is recognized on the units-of-production method based on actual production in a given period and estimated production over the life of the project to which the royalty relates. The rate of amortization is based on estimates of mineral resources, which may differ from actual.

Asset impairment

At each reporting date HIRL assesses whether there is any indication that its assets are impaired. Impairment is recognized if the recoverable amount, determined as the higher of the estimated fair value less cost of disposal and value in use, is less than its carrying value.

In assessing fair value, estimated future cash flows are discounted to their present value using a discount rate that reflects market assessments of the time value of money and the risks specific to the relevant asset for which the future cash flows have been estimated.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment been previously recognized.

Revenue recognition

Royalty income is measured at the fair value of the consideration received or receivable on an accrual basis provided that it is probable that the economic benefits will flow to HIRL and the amount of revenue can be measured reliably and collectability is reasonably assured. In the case of the Houston Royalty, the revenue recognition criteria will generally be met when LIM or SMI have sold (FOB Sept-Iles) a cargo of iron ore from the Houston or Malcolm properties and the price of such cargo has been reasonably determined and collectability is reasonably assured.

Income taxes

HIRL is a taxable corporation.

Current income taxes are measured at the amount expected to be paid to tax authorities, based on taxable profit for the period, net of recoveries using enacted tax rates at the statement of financial position date. Taxable income differs from income as reported in the statements of income and comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. Deferred income tax liabilities are recognized on taxable temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income taxes are recognized for all deductible temporary differences to the extent that it is probable that deductions can be utilized. Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or the liability settled, using enacted or substantively enacted tax rates at the reporting date. Deferred income taxes are presented as non-current.

Share-based payments

HIRL issued common shares to acquire the Houston Royalty. Refer to Note 5. HIRL does not have any convertible securities outstanding.

Share-based payments are measured at the fair value of the shares issued at the issue date of such shares. The fair value of share-based payments is determined using generally accepted valuation techniques. Assumptions are made and judgment is used in applying valuation techniques. These assumptions and judgments include estimating the future earnings and cash flows of HIRL. Such judgments and assumptions are inherently uncertain. Changes in these assumptions may affect the fair value estimates.

(Expressed in Canadian dollars)

5. Royalty Interest

On December 19, 2016, HIRL acquired the Houston Royalty for a purchase price of $7,000,000, representing the estimated fair value of the Houston Royalty on the date of acquisition as determined using a discounted cash flow methodology. As consideration, HIRL issued 35,000,000 common shares at an issue price of $0.20 per share.

The Houston Royalty is a royalty interest equal to 2% of the sales proceeds (FOB Port of Sept-Iles) received by LIM and SMI from sales of iron ore from LIM's Houston property in western Labrador and from SMI's Malcolm property in north-eastern Quebec.

In estimating the fair value of the Houston Royalty, the discounted cash flow model assumed annual production from the Houston Project of approximately 2.0 million tonnes of saleable product per year for ten years at an assumed average long term iron ore price of US$90 per tonne (62% Fe Sinter Fines CFR China basis) using a risk adjusted discount rate of 15% and a CAD/US exchange rate of 0.75.

The carrying value of the Houston Royalty was assessed for impairment as at year end March 31, 2017. As required by IFRS and IAS 36, the year end impairment assessment took into consideration economic conditions prevailing during the assessment period subsequent to year end. Based on the market conditions prevailing during the assessment period subsequent to year end, during which the iron ore price averaged approximately US$65 per tonne, an impairment of $6,999,999 on the carrying value of the Houston Royalty was recorded effective March 31, 2017.

The fully impaired carrying value of the Houston Royalty was assessed again at year ends March 31, 2018, 2019 and 2020. As the iron ore price averaged less than US$90 per tonne during these year end assessment periods, no revision to the fully impaired carrying value was recognized pending evidence of a long term sustainable improvement in the iron ore market.

The fully impaired carrying value of the Houston Royalty was assessed again at year end March 31, 2021. During this year the iron ore market improved significantly and LIM, the owner of the Houston Project, commissioned an independent Preliminary Economic Assessment ("PEA") of the Houston Project. The independent PEA issued on February 26, 2021 indicated an undiscounted cumulative net cash flow value of the Houston Royalty of $37,919,408 on a pre-tax basis under base case assumptions.

Base case assumptions of the independent PEA included a long term iron ore price of US$90/tonne; Houston Project production of 2 million tonnes of iron ore per year; a 12 year mine life; and a USD/CAD foreign exchange rate of 1.33.

HIRL applied a risk adjusted discount rate of 15% to the pre-tax undiscounted cumulative net cash flow of the Houston Royalty of $37,919,408 implied by the foregoing independent PEA to yield a pre-tax net present value ("NPV") of $16,322,449. Based on this NPV analysis, HIRL recognized a full reversal of the previous $6,999,999 impairment charge relating to the Houston Royalty, resulting in a restated carrying value of the Houston Royalty of $7,000,000 at March 31, 2021, equal to its original pre-impairment carrying value.

	Houston Royalty $
Cost:	
Balance, March 31, 2019 and 2020	1
Impairment reversal	6,999,999
Balance, March 31, 2021	7,000,000
Accumulated Amortization:	
Balance, March 31, 2019, 2020 and 2021	-
Carrying Value:	
Balance, March 31, 2019 and 2020	1
Balance, March 31, 2021	7,000,000

5. Royalty Interest (continued)

Significant judgments and assumptions are required in making estimates of fair value in accordance with IFRS. It should be noted that estimates of fair value are subject to variability in key assumptions including, but not limited to, forecasts of iron ore prices, currency exchange rates, discount rates, production, operating and capital costs. A change in one or more of the assumptions used to estimate fair value could result in a change in fair value.

Estimated cash flows based on expected future production, operating costs and capital costs estimates, and forecasts of commodity prices and exchange rate assumptions are included in the independent PEA. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy.

Any fair value estimate may not be representative of actual net realizable value in an actual transaction.

6. Share Capital

Authorized
Unlimited common shares, no par value

Issued	Shares #	Amount $
Balance, March 31, 2019 , 2020 and 2021	34,853,518	6,970,704

7. Financial Risk Management

This note provides disclosure relating to the nature and extent of HIRL's exposure to financial risks.

Commodity price risk

HIRL is dependent on royalty income from LIM and SMI. The amount and frequency of royalty payments are affected by LIM and SMI's ability to commence production, the volume of iron ore products sold, the price of those products, operating costs, and currency movements. The demand for and price of iron ore fluctuate as a result of numerous factors outside the control of HIRL, LIM and SMI. Such factors include, but are not limited to, the demand for steel and steel products, global and regional demand, political and economic conditions, and production conditions and costs in major producing regions.

Currency risk

HIRL may derive royalty income from LIM and SMI denominated in U.S. dollars. HIRL does not currently have a foreign currency hedging program in place. Accordingly, HIRL may be exposed to fluctuations in the rate of exchange between the U.S. dollar and the Canadian dollar.

Liquidity risk

Liquidity risk is the risk of loss from not having access to sufficient funds to meet both expected and unexpected cash demands. As at March 31, 2021, HIRL believes it has sufficient resources to continue its operations over the next 12 months because it has no liabilities or other obligations to fulfill over that period. Refer to Note 1.

Credit risk

HIRL is economically dependent on LIM and SMI and may be exposed to credit risk with respect to amounts receivable from LIM and SMI in the future. HIRL does not currently have any amounts receivable from LIM or SMI.