



Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements

For the Quarter Ended December 31, 2011

Prepared in accordance with International Financial Reporting Standards (“IFRS”)

(Unaudited, expressed in Canadian dollars)

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LABRADOR IRON MINES HOLDINGS LIMITED
Condensed Interim Consolidated Statements of Financial Position
Prepared in accordance with IFRS
(Unaudited, expressed in Canadian dollars)

	December 31, 2011	March 31, 2011	April 1, 2010
ASSETS			
Current assets			
Cash and cash equivalents	\$ 21,763,686	\$ 7,563,670	\$ 48,299,095
Tax credits receivable (Note 8)	1,838,000	869,000	-
Accounts receivable and prepaid expenses (Note 18)	19,148,943	1,321,553	676,750
Inventories (Note 7)	15,551,290	210,315	-
	<u>58,301,919</u>	<u>9,964,538</u>	<u>48,975,845</u>
Non current assets			
Restricted cash (Note 6)	7,535,403	3,040,568	-
Long-term prepaid expenses, advances and deferred expenses (Note 17)	14,427,699	11,700,000	2,255,000
Mineral property interests (Note 8)	132,020,203	122,897,776	109,213,058
Property, plant and equipment (Note 9)	92,158,022	36,676,720	7,919,845
	<u>246,141,327</u>	<u>174,315,064</u>	<u>119,387,903</u>
	<u>\$ 304,443,246</u>	<u>\$ 184,279,602</u>	<u>\$ 168,363,748</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities (Notes 12 and 19)	\$ 30,655,606	\$ 14,928,986	\$ 2,118,827
Flow-through share premium (Note 4)	1,666,750	-	836,000
Capital lease obligation (Note 15)	426,306	392,694	-
	<u>32,748,662</u>	<u>15,321,680</u>	<u>2,954,827</u>
Non current liabilities			
Capital lease obligation (Note 15)	1,344,257	1,668,321	-
Asset retirement obligations (Note 16)	3,059,181	2,730,299	-
Long term payables	-	-	1,000,000
	<u>37,152,100</u>	<u>19,720,300</u>	<u>3,954,827</u>
SHAREHOLDERS' EQUITY			
Share capital (Note 10)	276,418,886	163,387,454	157,840,118
Reserves (Note 11)	10,139,601	7,417,523	8,803,463
Deficit	(19,267,341)	(6,245,675)	(2,234,660)
	<u>267,291,146</u>	<u>164,559,302</u>	<u>164,408,921</u>
	<u>\$ 304,443,246</u>	<u>\$ 184,279,602</u>	<u>\$ 168,363,748</u>

Commitments and contingencies (Notes 6, 8, 14, 15 and 16)

The financial statements were approved by the Board of Directors on February 10, 2012, and signed on its behalf by:

(signed) "John F. Kearney"
Director

(signed) "Richard Lister"
Director

The accompanying notes form an integral part of these condensed interim consolidated financial statements

LABRADOR IRON MINES HOLDINGS LIMITED**Condensed Interim Consolidated Statements of Operations and Comprehensive Loss**

Prepared in accordance with IFRS

(Unaudited, expressed in Canadian dollars)

	For the three month period ended		For the nine month period ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Expenses				
Corporate administration	\$ 531,528	\$ 785,229	\$ 1,577,337	\$ 2,311,570
Management costs	123,432	101,270	456,479	276,270
Professional fees	140,729	50,330	299,947	227,296
Directors' fees	23,500	47,750	84,250	95,750
Start-up costs (Note 5)	503,443	-	9,602,698	-
Interest (Note 15)	52,836	-	168,359	-
Depreciation	379,741	45,060	1,138,277	118,763
Accretion (Note 16)	11,100	14,161	46,153	26,554
Foreign exchange (gain)	(335,362)	-	(335,362)	-
Stock-based compensation (Note 11)	368,010	330,083	832,498	531,624
Loss before the undernoted	1,798,957	1,373,883	13,870,636	3,587,827
Interest earned	(120,939)	(85,372)	(529,560)	(199,673)
Net loss and comprehensive loss for the period	\$ 1,678,018	\$ 1,288,511	\$ 13,341,076	\$ 3,388,154

Net loss per share

Basic	\$ 0.03	\$ 0.03	\$ 0.25	\$ 0.08
Diluted	\$ 0.03	\$ 0.03	\$ 0.25	\$ 0.08

Weighted average number of shares outstanding

Basic	54,058,929	43,620,192	52,965,154	43,573,583
Diluted	54,058,929	43,620,192	52,965,154	43,573,583

The accompanying notes form an integral part of these condensed interim consolidated financial statements

LABRADOR IRON MINES HOLDINGS LIMITED
Condensed Interim Consolidated Statements of Cash Flows
Prepared in accordance with IFRS
(Unaudited, expressed in Canadian dollars)

	Three months ended		Nine months ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Cash provided by (used in) operating activities				
Net (loss) for the period	\$ (1,678,018)	\$ (1,288,511)	\$ (13,341,076)	\$ (3,388,154)
Items not involving cash				
Stock-based compensation	368,010	330,083	832,498	531,624
Depreciation	904,178	45,060	1,983,631	118,763
Accretion on asset retirement obligations	11,100	14,161	46,153	26,554
Interest on capital lease obligation	50,521	-	159,548	-
Interest	(25,434)	-	(55,753)	-
Foreign exchange	21,601	-	(42,479)	-
Changes in working capital	(414,399)	(833,579)	(4,208,244)	1,001,203
Cash provided by (used in) operating activities	(762,441)	(1,732,786)	(14,625,722)	(1,710,010)
Cash provided by (used in) investing activities				
(Increase) in long-term advances	(5,000,000)	-	(10,474,821)	-
(Increase) in mineral property interests	(30,691,598)	(4,000,963)	(38,945,461)	(8,689,577)
Proceeds from pre-commercial production	26,565,605	-	26,565,605	-
(Increase) in inventories	8,440,970	-	2,186,814	-
(Increase) in property, plant and equipment	(14,591,562)	(2,574,011)	(61,468,157)	(11,018,390)
(Increase) in restricted cash	-	-	(4,449,500)	(2,940,068)
Cash (used in) investing activities	(15,276,585)	(6,574,974)	(86,585,520)	(22,648,035)
Cash provided by (used in) financing activities				
Exercise of stock options	69,850	628,148	483,073	986,508
Exercise of warrants	-	502,942	665,917	561,766
Proceeds from shares issued for cash	-	-	121,250,500	-
Share issue costs	-	-	(6,538,232)	(129,488)
Repayment of capital lease obligation	(150,000)	(150,000)	(450,000)	(350,000)
Cash provided by (used in) financing activities	(80,150)	981,090	115,411,258	1,068,786
Change in cash and cash equivalents	\$ (16,119,176)	\$ (7,326,670)	\$ 14,200,016	\$ (23,289,259)
Cash and cash equivalents, beginning of period	37,882,862	32,336,506	7,563,670	48,299,095
Cash and cash equivalents, end of period	\$ 21,763,686	\$ 25,009,836	\$ 21,763,686	\$ 25,009,836
Cash and cash equivalents consist of:				
Cash	-	-	-	-
Cash Equivalents	21,763,686	25,009,836	21,763,686	25,009,836
	\$ 21,763,686	\$ 25,009,836	\$ 21,763,686	\$ 25,009,836
Supplemental disclosure of cash flow information				
Interest paid	\$ -	\$ -	\$ -	\$ -
Income taxes paid	-	-	-	-
Stock-based compensation recorded to mineral property interests	179,904	83,636	1,045,914	132,427
Change in accrued non-current assets	1,318,745	3,488,008	(3,193,934)	3,852,614
Change in accrued current assets	5,025,954	-	17,527,789	-
Change in accrued tax credits for mineral property interests	149,000	-	969,000	-
Asset retirement obligation charged to mineral property interests	69,580	(135,067)	282,729	2,611,885
Property, plant and equipment interest under capital lease	-	60,837	-	124,083
Change in long-term payables	-	(500,000)	-	(1,000,000)
Property, plant, and equipment acquired under capital lease	-	-	-	2,378,569
Change in long-term advances	7,000,000	-	7,000,000	-
Change in accounts receivable in revenues from pre-production	(5,271,716)	-	(5,271,716)	-

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LABRADOR IRON MINES HOLDINGS LIMITED
Condensed Interim Consolidated Statements of Changes in Equity
Prepared in accordance with IFRS
(Unaudited, expressed in Canadian dollars)

	Share Capital		Warrants		Stock Options	Deficit	Total
	Number	Amount	Number	Amount	Amount	Amount	
Balance, April 1, 2010	43,369,951	\$ 157,840,118	369,960	\$ 1,146,876	\$ 7,656,587	\$ (2,234,660)	\$ 164,408,921
Exercise of options	469,235	986,508	-	-	-	-	986,508
Exercise of options – valuation allocation	-	418,555	-	-	(418,555)	-	-
Exercise of warrants	88,328	561,766	-	-	-	-	561,766
Exercise of warrants – valuation allocation	-	273,817	(88,328)	(273,817)	-	-	-
Stock based compensation	-	-	-	-	664,051	-	664,051
Loss for the nine month period	-	-	-	-	-	(3,388,154)	(3,388,154)
Balance, December 31, 2010	43,927,514	160,080,764	281,632	873,059	7,902,083	(5,622,814)	163,233,092
Exercise of options	126,065	273,480	-	-	-	-	273,480
Exercise of options – valuation allocation	-	1,743,699	-	-	(1,743,699)	-	-
Exercise of warrants	136,312	866,944	-	-	-	-	866,944
Exercise of warrants – valuation allocation	-	422,567	(136,312)	(422,567)	-	-	-
Stock based compensation	-	-	-	-	808,647	-	808,647
Loss for the three month period	-	-	-	-	-	(622,861)	(622,861)
Balance, March 31, 2011	44,189,891	163,387,454	145,320	450,492	6,967,031	(6,245,675)	164,559,302
Exercise of options	209,512	483,073	-	-	-	-	483,073
Exercise of options – valuation allocation	-	766,767	-	-	(766,767)	-	-
Exercise of warrants	104,704	665,917	-	-	-	-	665,917
Exercise of warrants – valuation allocation	-	324,582	(104,704)	(324,582)	-	-	-
Public offering, net of transaction costs	9,566,700	112,457,843	478,335	2,254,425	-	-	114,712,268
Flow-through share premium allocation	-	(1,666,750)	-	-	-	-	(1,666,750)
Expiry of warrants	-	-	(40,616)	(125,910)	-	125,910	-
Expiry of options	-	-	-	-	(193,500)	193,500	-
Forfeiture of options	-	-	-	-	(390,895)	-	(390,895)
Stock based compensation	-	-	-	-	2,269,307	-	2,269,307
Loss for the nine month period	-	-	-	-	-	(13,341,076)	(13,341,076)
Balance December 31, 2011	54,070,807	\$ 276,418,886	478,335	\$ 2,254,425	\$ 7,885,176	\$ (19,267,341)	\$ 267,291,146

The accompanying notes form an integral part of these condensed interim consolidated financial statements

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2011

Prepared in accordance with IFRS
(Unaudited, expressed in Canadian dollars)

1. Nature of Operations

Labrador Iron Mines Holdings Limited (the "Company") is a mineral resource company engaged in the exploration, development and mining of iron ore projects in Canada. The Company's primary mineral property interests are iron ore projects in western Labrador and northeastern Quebec, near the town of Schefferville, Quebec (collectively, the "Schefferville Projects"). At December 31, 2011, the Company was considered to be a development stage company as the Schefferville Projects were not considered to have yet reached commercial production.

The Company's head office is located at 220 Bay Street, Suite 700, Toronto, Ontario, M5J 2W4.

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurance that current exploration, development and mining plans will result in profitable mining operations. The recoverability of the carrying value of assets and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable resources, the achievement of profitable operations, or the ability of the Company to raise additional financing, or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values of the Company's assets, in particular its mineral property interests.

Although the Company has taken steps to verify its title to the properties on which it is conducting its exploration and development activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory and environmental requirements.

The Company is currently considering various avenues to facilitate its working capital requirements. There can be no assurance that such avenues will be pursued. Notwithstanding the foregoing, the Company does not believe significant doubt exists about its ability to continue as a going concern for the ensuing twelve months.

2. Basis of preparation

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and IFRS 1, First-time Adoption of IFRS. These condensed interim consolidated financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its March 31, 2012 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

The Company's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Canadian GAAP differs in some areas from IFRS. Certain information and footnote disclosures which are considered material to the understanding of the Company's condensed interim consolidated financial statements and which are normally included in annual consolidated financial statements prepared in accordance with IFRS are provided in notes along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, operations, comprehensive loss, and the statements of financial position and cash flows.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2011

Prepared in accordance with IFRS
(Unaudited, expressed in Canadian dollars)

2. Basis of preparation (continued)

As fiscal 2012 is the first fiscal year in which the Company is reporting under IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's fiscal 2011 annual consolidated financial statements prepared in accordance with Canadian GAAP. In fiscal 2013 and beyond, the Company may not provide the same amount of disclosure in the Company's condensed interim consolidated financial statements under IFRS as the reader will be able to rely on the annual consolidated financial statements, which will be prepared in accordance with IFRS. These condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP consolidated financial statements for the year ended March 31, 2011.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The condensed interim consolidated financial statements have been prepared on the historical cost basis.

3. Significant accounting judgments, estimates and assumptions

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements are as follows:

- Asset carrying values and impairment charges
- Estimation of asset lives
- Determination of ore resource estimates
- Deferral of stripping costs
- Recognition of deferred taxes
- Capitalization of exploration and evaluation costs
- Contingencies
- Determination of economic viability of a project
- Commencement of commercial production
- Measurement of inventories
- Estimation of close down and restoration costs and the timing of expenditures
- Estimation of environmental cleanup and the timing of expenditure and related accretion
- Inventory valuation
- Share-based payments
- Depletion, depreciation and amortization
- Revenue recognition

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2011

Prepared in accordance with IFRS
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4. Significant accounting policies

Basis of consolidation

The financial statements consolidate the financial statements of Labrador Iron Mines Holdings Limited and its wholly-owned subsidiaries, Labrador Iron Mines Limited, Schefferville Mines Inc., Labrail Inc. and Centre Ferro Ltd. All significant intercompany transactions and balances have been eliminated.

Subsidiaries

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Presentation currency

The Company's presentation and functional currency is the Canadian dollar.

Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of such transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Foreign exchange gains and losses are presented in the consolidated statement of operations and comprehensive loss.

Flow-through shares

The Company finances a portion of its project exploration and development expenditures through the issuance of flow-through shares.

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The fair value of the common shares issued is added to share capital with any excess of proceeds over the market value of the common shares being recorded as a liability called flow-through share premium. At the time of renunciation by the Company, the flow-through share premium is expensed.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2011

Prepared in accordance with IFRS
(Unaudited, expressed in Canadian dollars)

4. Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

As at December 31, 2011 and March 31, 2011, this policy is only applicable to the capital lease obligation.

Interest revenue

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Share-based payments

The Company follows the fair value method of accounting for the stock option awards granted to employees, directors and consultants. The fair value of stock options is determined by the Black-Scholes option pricing model with assumptions for risk-free interest rate, dividend yield, volatility of the expected market price of the Company's common shares and an expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations. The fair value of direct awards of stock is determined by the quoted market price of the Company's shares. Share-based compensation is amortized to earnings over the vesting period of the related option.

The Company uses graded or accelerated amortization which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected share price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options.

Company as lessee

Assets held under capital leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a capital lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
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4. Significant accounting policies (continued)

Company as lessee (continued)

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Exploration and evaluation assets

Mineral exploration and evaluation costs, including the cost of acquiring licenses, are capitalized as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a license is relinquished or a project is abandoned, the related costs are recognized in profit and loss immediately. Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) fact and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment).

Exploration and evaluation assets are stated at cost, less accumulated impairment losses.

None of the Company's properties at December 31, 2011 are categorized as exploration and evaluation assets.

Mineral property interests

The commercial viability of extracting a mineral resource is considered to be determinable when resources are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Upon determination of resources, exploration and evaluation assets attributable to those resources are first tested for impairment and then reclassified from exploration and evaluation assets to mineral property interests. Expenditure deemed to be unsuccessful is recognized in profit or loss immediately.

Upon reclassification into mineral property interests, all subsequent development expenditure on the project is capitalized within mineral property interests.

Mineral property interests are stated at cost, less accumulated impairment losses.

At December 31, 2011, all of the Company's properties are categorized as mineral property interests.

Producing mines

After commercial production of a part of mineral property interests commences, all assets included in that part of mineral property interests are reclassified into producing mines.

When a mine project moves into the producing mine stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements or mineable resource development.

Producing mines are stated at cost, less accumulated depreciation and accumulated impairment losses.

At December 31, 2011, none of the Company's properties were categorized as a producing mine as the Schefferville Projects were not considered to have yet reached commercial production.

LABRADOR IRON MINES HOLDINGS LIMITED
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4. Significant accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a capital lease is also included within property, plant and equipment.

Depletion/depreciation/amortization

Accumulated mine development costs are depleted/depreciated/amortized on a unit-of-production basis over the economically recoverable resources of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied.

Processing equipment, pumping facilities, silver yard track, port improvements, settling ponds, capitalized stripping costs, roads and mine camp are amortized using the units-of-production basis.

Service buildings	5% declining balance
Computer equipment	30% declining balance
Field equipment	30% declining balance
Office equipment	30% declining balance
Vehicles	30% declining balance

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations when the asset is derecognized. Residual values, useful lives and methods of depletion/depreciation/amortization of assets are reviewed at each reporting period, and adjusted prospectively if appropriate.

Major maintenance and repairs

Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalized.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets, which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

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(Unaudited, expressed in Canadian dollars)

4. Significant accounting policies (continued)

Deferred stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine and subsequently amortized over the life of the mine on a units-of-production basis. Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e. overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

Stripping costs incurred subsequently during the production stage of a mine in operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of the mine strip ratio. Such deferred costs are then charged to the consolidated statement of operations to the extent that, in subsequent periods, the current period ratio falls short of the life of mine (or pit) ratio. The life of mine (or pit) ratio is based on economically recoverable resources of the mine (or pit). Changes are accounted for prospectively, from the date of the change.

Deferred stripping costs are included as part of property, plant and equipment. These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation expenditure, mine properties and property, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets of the Company. This generally results in the Company evaluating its non-financial assets on a geographical or license basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of operations so as to reduce the carrying amount to its recoverable amount.

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4. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of operations.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e. the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash and cash equivalents, tax credits receivable, accounts receivable, restricted cash and advances. The Company does not have any derivative instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in finance income and finance costs in the consolidated statement of operations.

The Company evaluated its financial assets at fair value through profit and loss (held for trading) to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

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4. Significant accounting policies (continued)

Financial assets (continued)

Advances

Advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of operations. The losses arising from impairment are recognized in the consolidated statement of operations.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either:
 - (a) the Company has transferred substantially all the risks and rewards of the asset; or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the debtor or debtors will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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4. Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of operations. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statement of operations. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of operations.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, capital lease obligation and long-term payables. The Company does not have any derivative instruments.

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4. Significant accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Other financial liabilities

Borrowings and other financial liabilities, excluding derivative liabilities, are recognized initially at fair value, net of transaction costs incurred and subsequently stated at amortized cost. Any difference between the amounts originally received net of transaction costs and the redemption value is recognized in profit or loss, or capitalized if directly attributable to a qualifying asset, over the period to maturity using the effective interest rate method.

Borrowings and other financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the consolidated statement of financial position date.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of operations.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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4. Significant accounting policies (continued)

Financial liabilities (continued)

Fair value of financial instruments (continued)

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on deposit at a major Canadian bank and holdings in an investment grade short term money market fund.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Stockpiled ore is physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product.

Cost is determined by the weighted average method and comprises direct costs and an appropriate portion of fixed and variable overhead costs, including depletion, depreciation and amortization, incurred in converting run of mine ore into saleable ore.

Materials and supplies are valued at the lower of cost or net realizable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Provisions

General

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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4. Significant accounting policies (continued)

Provisions (continued)

Asset retirement obligations

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and waste sites, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining asset to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of operations.

Onerous contracts

Onerous contracts are present obligations arising under onerous contracts that are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Revenue Recognition Prior to Commercial Production

Prior to declaring commercial production, the proceeds from shipments of iron ore, net of the mining, processing, transportation and other associated costs of the shipment, have been credited against mineral property interests.

Earnings (loss) per share

Earnings (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The diluted earnings (loss) per share calculation excludes the conversion of options and warrants that would increase (decrease) earnings (loss) per share. As a result, all outstanding convertible securities during the three and nine month periods ended December 31, 2011 and December 31, 2010 have been excluded from diluted loss per share.

Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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4. Significant accounting policies (continued)

Government assistance

Upon qualification for government mineral exploration assistance programs, recoverable amounts are offset against exploration costs incurred when the Company has complied with the terms and conditions of the program and the recovery is reasonably assured.

New standards and interpretations not yet adopted

IFRS 7 *Financial instruments - Disclosures* ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

IFRS 9 *Financial Instruments* ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet determined the impact of IFRS 9 on its financial statements.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 *Consolidated and Separate Financial Statements*. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on April 1, 2013. The Company has not yet determined the impact of IFRS 10 on its financial statements.

IFRS 11 *Joint Arrangements* ("IFRS 11") replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 *Investments in Associates* and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening deficit at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on April 1, 2013. The Company has not yet determined the impact of IFRS 11 on its financial statements.

IFRS 13 *Fair Value Measurement* converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of IFRS 13 on its financial statements.

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5. Start-Up Costs

Start-up costs consist of non-refundable transportation related expenses incurred prior to establishing full scale transportation of iron ore from mine site to port.

6. Restricted Cash

Restricted cash consists of guaranteed investment certificates and term deposits assigned by the Company to its bank as security for letters of credit.

	December 31, 2011	March 31, 2011	April 1, 2010
	\$	\$	\$
Security for letters of credit for asset retirement obligations	2,951,123	2,940,068	-
Security for letters of credit for transportation related commercial contracts	4,584,280	-	-
Other restricted cash	-	100,500	-
Total	7,535,403	3,040,568	-

7. Inventories

	December 31, 2011	March 31, 2011	April 1, 2010
	\$	\$	\$
Ore at site	3,832,781	210,315	-
Saleable product	11,718,509	-	-
Total	15,551,290	210,315	-

Ore at site consists of (i) plant feed ore at site carried at cost, (ii) treated ore at site (or in transit to port) carried at cost and (iii) direct railable ore at site (or in transit to port), carried at cost.

Saleable product consists of (i) treated ore stockpiled at port and (ii) direct railable ore stockpiled at port, carried at cost.

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8. Mineral Property Interests

The Company holds a 100% interest in the Schefferville Projects. The Schefferville Projects comprise a series of iron ore deposits located in western Labrador in the Province of Newfoundland and Labrador and in north-eastern Quebec, near the town of Schefferville, Quebec.

All of the iron ore properties located in Labrador are held subject to a royalty in the amount of 3% of the selling price (Free On Board Port) of iron ore produced and shipped from such properties, subject to such royalty being no greater than USD\$1.50 per tonne, with such royalty being payable quarterly in arrears.

In December 2009, the Company, through a wholly-owned subsidiary, Schefferville Mines Inc. ("SMI"), acquired interests in additional mineral properties located in Quebec for total cash consideration of \$2,900,000, which has been fully paid as at December 31, 2011. The Company also acquired additional manganese properties in Labrador for cash consideration of \$100,000 in December 2009.

The properties in Quebec are held subject to a royalty of US\$2.00 per tonne of iron ore and 3% of FOB value of any other metals shipped from the properties, such royalty being payable quarterly in arrears. An advance royalty payment of \$2,000,000 was paid on signing which will be credited against future royalties payable on certain of the properties acquired.

In December 2009, the Company, through SMI, acquired, subject to all regulatory and government consents and approvals, an exclusive operating license in certain properties held under a 1953 Quebec Mining Lease (the "1953 Lease"). The current term of the 1953 Lease runs until 2013 and, subject to its provisions and the provisions of its governing Act, is renewable for a further term of 20 years to 2033. Pursuant to its operating license, SMI has the option, subject to approval of the Government of Quebec, to sublease the properties. The operating license is held subject to the payment of a royalty of \$2.00 per tonne of iron ore shipped from the area of the 1953 Lease. The Company has agreed to assume certain existing liabilities and liens related to the 1953 Lease properties. Any amounts paid in respect of such liabilities and liens in excess of \$1,500,000 will be deemed to be an advance royalty payment. Amounts totalling \$800,000 had been paid up to December 31, 2011 and are included in mineral property interests as property acquisitions costs.

Certain of the properties acquired in calendar 2009 are subject to pre-existing litigation by third parties against the previous holders of the properties claiming rights to or ownership of such properties. The Company considers such litigation to be without merit.

The reclamation balance included within mineral property interests represents amounts initially recorded to correspond with the asset retirement obligations. This asset amount will be amortized over the useful life of the asset to which it relates. To date, no amortization has been recorded.

The Company's mineral property assets are as follows:

	December 31, 2011	March 31, 2011	April 1, 2010
	\$	\$	\$
Mineral property interests	129,050,133	120,210,435	109,213,058
Reclamation balance	2,970,070	2,687,341	-
	<u>132,020,203</u>	<u>122,897,776</u>	<u>109,213,058</u>

The Company has accrued \$1,838,000 (March 31, 2011 - \$869,000; April 1, 2010 - \$nil) in tax credits receivable related to eligible expenditures in the province of Quebec. The assistance has been applied to the properties to which it pertains. The Company expects to receive this assistance in the form of refundable tax credits from the Province of Quebec and mining duties returns from the Quebec Ministry of Natural Resources.

Prior to entering commercial production, the proceeds from shipments of iron ore, net of the mining, processing, transportation and other associated costs of the shipment, have been credited against mineral property interests.

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9. Property, Plant and Equipment

Cost at:	Buildings and mine camp	Office equipment	Transportation infrastructure and equipment	Beneficiation plant and equipment	Capitalized stripping and dewatering	Total
April 1, 2010	\$ 931,880	\$ 87,341	\$ 1,682,425	\$ 3,293,931	\$2,084,994	\$ 8,080,571
Additions	4,046,257	114,757	4,725,244	15,826,649	4,210,504	28,923,411
March 31, 2011	4,978,137	202,098	6,407,669	19,120,580	6,295,498	37,003,982
Additions	720,997	274,017	17,760,993	18,067,919	21,188,792	58,012,718
December 31, 2011	5,699,134	476,115	24,168,662	37,188,499	27,484,290	95,016,700

Accumulated Depreciation at:

April 1, 2010	\$ 73,857	\$ 37,286	\$ 29,791	\$ 19,792	\$ -	\$ 160,726
Depreciation for the period	52,881	33,543	61,135	18,977	-	166,536
March 31, 2011	126,738	70,829	90,926	38,769	-	327,262
Depreciation for the period	801,537	72,532	1,442,808	214,539	-	2,531,416
December 31, 2011	928,275	143,361	1,533,734	253,308	-	2,858,678

Net Book Value at:

April 1, 2010	\$ 858,023	\$ 50,055	\$ 1,652,634	\$ 3,274,139	\$ 2,084,994	\$ 7,919,845
March 31, 2011	4,851,399	131,269	6,316,743	19,081,811	6,295,498	36,676,720
December 31, 2011	4,770,859	332,754	22,634,928	36,935,191	27,484,290	92,158,022

Property, plant and equipment with a total cost of \$64,087,126 (March 31, 2011 - \$34,758,040; April 1, 2010 - \$6,896,365) has not been amortized pending the commencement of commercial production.

Included in buildings and mine camp is an asset under capital lease with a carrying value of \$2,002,288 (March 31, 2011 - \$2,561,015; April 1, 2010 - \$nil).

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10. Share Capital

Authorized

Unlimited common shares

Issued	Shares #	Amount \$
Balance, April 1, 2010	43,369,951	157,840,118
Exercise of options	595,300	1,259,988
Exercise of options - valuation allocation	-	2,162,254
Exercise of broker warrants	224,640	1,428,710
Exercise of broker warrants - valuation allocation	-	696,384
Balance, March 31, 2011	44,189,891	163,387,454
Exercise of options	209,512	483,073
Exercise of options - valuation allocation	-	766,767
Exercise of broker warrants	104,704	665,917
Exercise of broker warrants – valuation allocation	-	324,582
Common shares issued at \$12.50 per share	8,900,000	111,250,000
Flow-through shares issued at \$15.00 per share	666,700	10,000,500
Share issue costs	-	(6,538,232)
Broker warrants – valuation allocation	-	(2,254,425)
Flow-through share premium liability allocation	-	(1,666,750)
Balance December 31, 2011	<u>54,070,807</u>	<u>276,418,886</u>

On April 26, 2011 and May 26, 2011, the Company issued an aggregate 8,900,000 common shares at an issue price of \$12.50 per share and 666,700 flow-through shares at an issue price of \$15.00 per flow-through share pursuant to a short form prospectus for gross proceeds of \$121,250,500.

11. Reserves

(a) Stock options

The Company operates a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options cannot exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the Board of Directors at no lesser than the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

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11. Reserves (continued)

(a) Stock options (continued)

A summary of the Company's options at December 31, 2011 and March 31, 2011 and the changes for the periods then ended is presented below:

	Nine months ended December 31, 2011		Year ended March 31, 2011	
	Number of Options:	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,739,200	\$ 3.45	1,899,500	\$ 2.00
Granted	517,500	7.79	435,000	7.94
Exercised	(209,512)	2.31	(595,300)	2.12
Expired	(25,000)	10.18	-	-
Forfeited	(96,250)	9.27	-	-
Outstanding, end of period	1,925,938	\$ 4.37	1,739,200	\$ 3.45

The following table sets out details of the stock options outstanding at December 31, 2011:

Options Outstanding			Options Exercisable		
Number	Weighted Average Exercise Price	Expiry Date	Number	Weighted Average Exercise Price	
1,119,688	\$ 2.00	31/08/2012	1,119,688	\$ 2.00	
243,750	6.27	14/09/2015	156,250	6.27	
12,500	7.30	09/11/2015	6,250	7.30	
132,500	11.65	09/02/2016	49,688	11.65	
77,500	10.18	23/06/2016	19,375	10.18	
100,000	6.80	22/09/2016	12,500	6.80	
40,000	6.81	11/10/2016	-	6.81	
200,000	6.35	30/11/2016	-	6.35	
1,925,938	\$ 4.37		1,363,751	\$ 3.03	

The stock-based compensation expense during the nine months ended December 31, 2011 related to the vesting of options granted has been recorded as to \$1,045,914 as a mineral property interest capitalized cost and as to \$832,498 as an operating expense.

The weighted average grant date fair value of the stock options issued during the nine month period ended December 31, 2011 is \$5.80 (March 31, 2011 - \$6.06; April 1, 2010 - \$0.83). The exercise price of stock options granted during the period was equal to the market value of the common shares on the date of grant.

During the nine months ended December 31, 2011, 177,500 options were granted to new employees at an exercise price of \$10.18 per share, all with an expiry date of June 23, 2016. These options have a grant date estimated fair value of \$1,373,850 calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 2.04%, expected life of 5 years, expected dividend rate of 0%, and current volatility of 102%.

During the nine months ended December 31, 2011, 100,000 options were granted to new employees at an exercise price of \$6.80 per share, all with an expiry date of September 22, 2016. These options have a grant date estimated fair value of \$509,000 calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.00%, expected life of 5 years, expected dividend rate of 0%, and current volatility of 101%.

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11. Reserves (continued)

(a) Stock options (continued)

During the nine months ended December 31, 2011, 40,000 options were granted to new employees at an exercise price of \$6.81 per share, all with an expiry date of November 10, 2016. These options have a grant date estimated fair value of \$195,600 calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.40%, expected life of 5 years, expected dividend rate of 0%, and current volatility of 94%.

During the nine months ended December 31, 2011, 200,000 options were granted to new employees at an exercise price of \$6.35 per share, all with an expiry date of November 30, 2016. These options have a grant date estimated fair value of \$924,000 calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.40%, expected life of 5 years, expected dividend rate of 0%, and current volatility of 96%.

Stock options granted during the nine months ended December 31, 2011 vest as to one-eighth quarterly. The first vesting date is the first day of the first quarter following the date of grant.

The weighted average contractual life remaining for outstanding and exercisable options at December 31, 2011 is 2.20 years and 1.21 years, respectively.

The total number of common shares that are issuable pursuant to stock options that are exercisable as at December 31, 2011 is 1,363,751. The weighted average exercise price of stock options that are exercisable at December 31, 2011 is \$3.03.

(b) Warrants

A summary of the Company's share purchase warrants at December 31, 2011 and March 31, 2011 and the changes for the periods then ended is presented below:

	Nine months ended December 31, 2011		Year ended March 31, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	145,320	\$ 6.36	369,960	\$ 6.36
Issued	478,335	12.50	-	-
Exercised	(104,704)	6.36	(224,640)	6.36
Expired	(40,616)	6.36	-	-
Outstanding, end of period	478,335	\$ 12.50	145,320	\$ 6.36

As at December 31, 2011, the Company has outstanding exercisable warrants, with a weighted average remaining contractual life of 0.82 years, to purchase an aggregate 478,335 common shares as follows:

Warrants Outstanding and Exercisable		
Number	Exercise Price	Expiry Date
478,335	\$ 12.50	October 26, 2012

During the nine months ended December 31, 2011, the Company issued 478,335 broker warrants as partial compensation to the underwriters of the short form prospectus offering. The broker warrants are exercisable into common shares of the Company at an exercise price of \$12.50 per share and expire on October 26, 2012. The broker warrants were assigned an estimated value of \$2,254,425 calculated using the Black-Scholes option pricing model, based on the following assumptions: an average risk-free interest rate of 1.66%, expected dividend rate of 0%, expected life of 18 months and an expected volatility of 78%.

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11. Reserves (continued)

(c) Reserves

A summary of the reserves account is presented below:

Balance, April 1, 2010	\$ 8,803,463
Stock options issued	1,472,698
Stock options exercised	(2,162,254)
Broker warrants exercised	<u>(696,384)</u>
Balance, March 31, 2011	7,417,523
Stock options issued	2,269,307
Stock options exercised	(766,767)
Stock options expired	(193,500)
Stock options forfeited	(390,895)
Broker warrants issued	2,254,425
Broker warrants exercised	(324,582)
Broker warrants expired	<u>(125,910)</u>
Balance, December 31, 2011	<u>\$ 10,139,601</u>

12. Related Party Transactions

During the nine months ended December 31, 2011, the Company recovered \$88,489 (December 31, 2010 - \$90,045) in respect of office rent from corporations with common directors and/or officers. At December 31, 2011, \$15,496 (December 31, 2010 - \$Nil) remained receivable.

During the nine months ended December 31, 2011, the Company made payments to companies with common directors and/or officers, in respect of management compensation (management costs) provided in the amount of \$403,673 (December 31, 2010 - \$334,020). All of the management compensation in the nine months ended December 31, 2011 was expensed. Management compensation of \$86,300 in the nine months ended December 31, 2010 was capitalized. At December 31, 2011, \$41,667 (December 31, 2010 - \$25,388) in management compensation remained payable to these related companies. These amounts were paid in full subsequent to December 31, 2011.

During the nine months ended December 31, 2011, the Company incurred legal fees (professional fees and share issue costs) in respect of services provided by a professional corporation controlled by an officer in the amount of \$190,240 (December 31, 2010 - \$40,950). At December 31, 2011, \$36,001 (December 31, 2010 - \$17,228) remained payable to this related party for legal fees.

Transactions with related parties were within the normal course of operations and have been recorded at the exchange amounts, being amounts agreed to by the transaction parties.

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13. Capital Management

The capital of the Company consists of common shares, stock options and share purchase warrants. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

The Company manages its cash and cash equivalents, common shares, stock options, and share purchase warrants as capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of its mineral properties. As the Company has been in the exploration and development stage, its principal source of funds for its operations has been from the proceeds of the issuance of common shares. The issuance of common shares requires approval from the Board of Directors. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the Company's management to sustain future development of the business. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its Schefferville Projects for the benefit of its stakeholders. The Company uses stock options primarily to retain and provide incentives to employees and consultants. The granting of stock options is primarily determined by the Board of Directors.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

14. Commitments and Contingencies

- (a) The Company has undertaken a program of community consultation with the Aboriginal First Nations communities living in or adjacent to, or having an interest in or claims to, historic land or treaty rights in the Schefferville Projects area or who may be impacted by the Schefferville Projects. As at December 31, 2011, the Company had entered into an impact benefit agreement ("IBA") with each of the Innu Nation of Labrador, the Naskapi Nation of Kawawachikamach and the Nation Innu of Matimekush-Lac John.

Each IBA is a life of mine agreement that establishes the processes and sharing of benefits which will ensure an ongoing positive relationship between the Company and the respective Aboriginal First Nation community. The Aboriginal First Nations communities and their members will benefit through training, employment, business opportunities and financial participation in the Schefferville Projects.

- (b) The Company is committed to a minimum amount of rental payments under a long-term lease for its head office premises, which expires on August 31, 2019. As at December 31, 2011, minimum rental commitments remaining under this lease approximate \$3,843,500 as follows (by fiscal year):

2012	\$	125,500
2013		502,000
2014		502,000
2015		502,000
2016 and beyond		2,212,000
	\$	<u>3,843,500</u>

The Company expects to recover a portion of these lease commitments from corporations with common directors and officers that are sharing part of the head office premises.

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14. Commitments and Contingencies (continued)

- (c) The Company is committed to future payments under certain long-term equipment supply and transportation contracts. As at December 31, 2011, minimum commitments remaining under these contracts are approximately \$113,400,000 as follows (by fiscal year):

2012	\$	500,000
2013		39,300,000
2014		30,200,000
2015		30,200,000
2016 and beyond		13,200,000
	\$	<u>113,400,000</u>

- (d) The Company entered into flow-through share subscription agreements on April 26, 2011 whereby it is committed to incur, on or before December 31, 2012, a total of \$10,000,500 of qualifying Canadian Exploration Expense, as described in the Income Tax Act. As at December 31, 2011, \$5,767,096 had been incurred, leaving a balance of \$4,233,404 to be incurred on or before December 31, 2012. The Company has indemnified the subscribers for any tax related amounts that may become payable by the subscribers as a result of the Company not meeting its expenditure commitments.

- (e) The Company's mining and exploration activities are subject to various Canadian federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

15. Capital Lease Obligation

The Company entered into a capital lease agreement for a mine camp during the year ended March 31, 2011. The Company used an incremental borrowing rate of 11% in determining the value of the capital lease obligation.

	Nine months ended	
	September 30, 2011	Year ended March 31, 2011
Balance, beginning of period	\$ 2,061,015	\$ -
Present value of capital lease on inception	-	2,378,569
Less: payments made during the period	(450,000)	(500,000)
Add: Interest accretion	159,548	182,446
	<u>1,770,563</u>	<u>2,061,015</u>
Balance, end of period	1,770,563	2,061,015
Less: current portion, end of period	(426,306)	(392,694)
	<u>1,344,257</u>	<u>1,668,321</u>
Long-term portion, end of period	\$ 1,344,257	\$ 1,668,321

Future minimum lease payments under the capital lease agreement by fiscal year are as follows:

2012	\$	150,000
2013		600,000
2014		600,000
2015		600,000
2016		200,000
	\$	<u>2,150,000</u>

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16. Asset Retirement Obligations

Asset retirement obligations represent the legal and contractual obligations associated with the eventual closure of the Company's mining operations either progressively or at the end of the mine life. These obligations consist of costs associated with reclamation and monitoring activities and the removal of tangible assets from the Company's mining sites.

At December 31, 2011, the Company has restricted rehabilitation deposits related to anticipated reclamation and remediation obligations of \$2,951,123 (December 30, 2010 – \$2,940,068). The total undiscounted amount is expected to be \$3,416,203 and is expected to be incurred between 2013 and 2031. The present value of the asset retirement obligations has been estimated at \$3,059,181 at December 31, 2011 using a discount rate of 2.49% per annum.

A summary of the Company's asset retirement obligations is presented below:

	Nine months ended December 31, 2011	Year ended March 31, 2011
Balance, beginning of period	\$ 2,730,299	\$ -
Present value of obligation on inception	-	2,742,323
Accretion expense	46,153	42,958
Change in estimates	282,729	(54,982)
Balance, end of period	<u>\$ 3,059,181</u>	<u>\$ 2,730,299</u>

17. Long Term Prepaid Expenses, Advances and Deferred Expenses

Long term prepaid expenses, advances and deferred expenses consist of various prepaid royalties, prepaid tariffs and advances, which in aggregate total \$14,427,699 at December 31, 2011 (March 31, 2011 - \$11,700,000; April 1, 2010 - \$2,255,000).

18. Accounts receivable and prepaid expenses

	December 31, 2011	March 31, 2011	April 1, 2010
Accounts receivable	\$ 5,687,095	\$ 75,010	\$ 197,533
Refundable taxes	5,974,622	1,113,931	222,316
Reimbursable expenses	-	8,642	1,379
Prepaid expenses	7,487,226	123,970	255,522
	<u>\$ 19,148,943</u>	<u>\$ 1,321,553</u>	<u>\$ 676,750</u>

19. Accounts payable and accrued liabilities

	December 31, 2011	March 31, 2011	April 1, 2010
Trade payables and accruals	\$ 30,354,936	\$ 14,810,976	\$ 2,046,531
Payroll and other statutory liabilities	300,670	118,010	72,296
	<u>\$ 30,655,606</u>	<u>\$ 14,928,986</u>	<u>\$ 2,118,827</u>

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20. Financial Instruments

Fair Value Hierarchy

The Company discloses information related to its financial instruments that are measured at fair value subsequent to initial recognition, based on levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company does not have any Level 3 financial instruments.

At December 31, 2011, the Company's financial instruments that are carried at fair value, consisting of cash equivalents, have been classified as Level 1 within the fair value hierarchy.

Fair value

Fair value estimates are made at the financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash and cash equivalents, tax credits receivable, accounts receivable, accounts payable and accrued liabilities and long-term payables on the statement of financial position approximate fair value because of the limited term of the instruments.

Financial risk management

This section provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk and how the Company manages those risks. The Company's objectives and management of risks have not changed significantly during the period ended December 31, 2011.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and equivalents, accounts receivable and tax credits receivable. The Company does not currently hold derivative type instruments that would require a counterparty to fulfill a contractual obligation. The Company has never held any asset backed paper instruments. The Company seeks to place its cash and cash equivalents with reputable financial institutions. At December 31, 2011, the Company's cash and cash equivalents were held in deposits and in an investment grade short term money market fund at a major Canadian bank. Accounts receivable and tax credits receivable consist of amounts owing from the sale of iron ore, commodity taxes recoverable from the Government of Canada and tax credits receivable from the Province of Quebec. The carrying amount of financial assets represents the Company's maximum credit exposure.

ii) Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they come due. As at December 31, 2011, the Company had working capital of \$25,553,257. Accordingly, management believes the Company is able to meet its current obligations as they fall due and has minimal liquidity risk.

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20. Financial Instruments (continued)

Financial risk management (continued)

iii) Foreign currency risk

The majority of the Company's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Company's functional and reporting currency. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar.

Revenue from the sale of iron ore is denominated in U.S. dollars and, as a result, fluctuations in the U.S. dollar exchange rate relative to the Canadian dollar could create volatility in the Company's cash flows and the reported amounts for sales in its consolidated statement of operations and comprehensive (loss) income, both on a period-to-period basis and compared with operating budgets and forecasts.

Additional earnings volatility arises from the translation of monetary assets and liabilities denominated in currencies other than the Canadian dollar at the rates of exchange at each financial position date, the impact of which is reported as a foreign exchange gain or loss in the consolidated statement of operations and comprehensive (loss) income.

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by holding cash and cash equivalents in Canadian dollars. The Company will monitor the values of net foreign currency cash flow and balance sheet exposures and in the future may consider using derivative financial instruments such as forward foreign exchange contracts to economically hedge a portion of any foreign currency cash flows. The Company does not use forward foreign exchange contracts for speculative purposes.

iv) Interest rate risk

Included in net loss for the nine months ended December 31, 2011 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the period had been 100 basis points higher (lower) then the loss would have been approximately \$378,000 lower (higher). The Company does not have any variable rate debt obligations which expose it to interest rate risk.

v) Commodity price risk

The future profitability of the Company is directly related to the market price of iron ore. As the Company has not yet declared commercial production, there was no revenue recognized during the nine months ended December 31, 2011. However, fluctuations in the iron ore price could create volatility in the Company's future cash flows and the future reported amounts for sales in its consolidated statement of operations and comprehensive (loss) income, both on a period-to-period basis and compared with operating budgets and forecasts. In addition, a drop in actual iron ore prices or expected long-term iron ore prices could impact the Company's ability to raise additional financing, if required, to complete the development of its properties, and development could also be halted if iron ore prices fall below expected operating costs.

21. Subsequent Events

- a) Subsequent to December 31, 2011, the Company established a letter of credit in the amount of €1,045,450 in connection with a deposit on a purchase of equipment. The Company purchased and assigned a term deposit for €1,045,450 to its bank as collateral for this letter of credit.
- b) Subsequent to December 31, 2011, the Company granted 205,000 employee stock options at an exercise price of \$6.20 which expire on February 9, 2017.

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22. First Time Adoption of IFRS

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

The accounting policies set out in Note 4 have been applied in preparing the condensed interim consolidated financial statements for the three and nine months ended December 31, 2011, the comparative information presented in these financial statements for the three and nine months ended December 31, 2010, and in the preparation of the opening IFRS statements of financial position as at April 1, 2010 (the "Transition Date").

IFRS 1 - First-time Adoption of International Financial Reporting Standards ("IFRS 1")

IFRS generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principal.

The Company has made the following elections under IFRS 1:

- IFRS 2 – Share-based payments: encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 2 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the Transition Date.
- IFRS 3 – Business combinations: option to apply retrospectively or prospectively from the Transition Date. The Company elected to apply IFRS 3 prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company did not apply IFRS 3 retrospectively to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.
- IAS 23 – Borrowing costs: in accordance with IFRS 1, the Company has elected to apply the transitional provisions of IAS 23 prospectively from the Transition Date. As a result, the Company has not capitalized borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the asset prior to the Transition Date.
- IAS 27 – Consolidated and separate financial statements: in accordance with IFRS 1, if a Company elects to apply IFRS 3 - Business Combinations retrospectively, IAS 27 – Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively from the Transition Date.
- IFRIC 1 – Changes in existing decommissioning, restoration and similar liabilities: the Company did not apply the recognition and measurement principles of IFRIC 1 prior to April 1, 2010; and instead measured the Company's asset retirement obligations at fair value on April 1, 2010, estimating the amounts that would have been included in the cost of the related mining properties when the obligations first arose using the applicable historical country-specific risk free rates and recalculating the accumulated depletion for such assets at April 1, 2010.

Reconciliation to previously reported financial statements

A reconciliation of the previously reported Canadian GAAP basis and IFRS basis financial statements is set out in the following pages. The effects of transition from Canadian GAAP to IFRS on the cash flow are immaterial. Therefore, a reconciliation of cash flows has not been presented.

- Reconciliation of consolidated statement of financial position as of April 1, 2010.
- Reconciliation of consolidated statement of financial position as of December 31, 2010.
- Reconciliation of consolidated statement of operations and comprehensive loss for the three and nine months ended December 31, 2010.
- Reconciliation of consolidated statement of financial position as of March 31, 2011.
- Reconciliation of consolidated statement of operations and comprehensive loss for the year ended March 31, 2011.

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22. First Time Adoption of IFRS (continued)

Reconciliation of Consolidated Statement of Financial Position as of April 1, 2010

	Note 22 Ref	Canadian GAAP	Effects of conversion to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		\$ 48,299,095	\$ -	\$ 48,299,095
Accounts receivable and prepaid expenses		676,750	-	676,750
		48,975,845	-	48,975,845
Mineral property interests	(c)	150,883,030	(41,669,972)	109,213,058
Long-term prepaid advances and deferred expenses		2,255,000	-	2,255,000
Property, plant and equipment		7,919,845	-	7,919,845
		\$ 210,033,720	\$ (41,669,972)	\$ 168,363,748
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 2,118,827	\$ -	\$ 2,118,827
Premium liability	(b)	-	836,000	836,000
		2,118,827	836,000	2,954,827
Long term payables		1,000,000	-	1,000,000
Future income taxes	(c)	31,305,364	(31,305,364)	-
		34,424,191	(30,469,364)	3,954,827
Shareholders' Equity				
Share capital	(b), (c)	160,837,192	(2,997,074)	157,840,118
Reserves	(d), (e)	-	8,803,463	8,803,463
Warrants	(e)	1,146,876	(1,146,876)	-
Contributed Surplus	(d), (e)	14,095,216	(14,095,216)	-
Deficit	(c), (e)	(469,755)	(1,764,905)	(2,234,660)
		175,609,529	(11,200,608)	164,408,921
		\$ 210,033,720	\$ (41,669,972)	\$ 168,363,748

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22. First Time Adoption of IFRS (continued)

Reconciliation of consolidated statement of financial position as of December 31, 2010

	Note 22 Ref	Canadian GAAP	Effects of conversion to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		\$ 25,009,836	\$ -	\$ 25,009,836
Accounts receivable and prepaids		589,475	-	589,475
		25,599,311	-	25,599,311
Restricted cash		2,940,068	-	2,940,068
Mineral property interests	(a), (c)	161,144,950	(40,864,195)	120,280,755
Long term prepaid advances		2,350,000	-	2,350,000
Property, plant and equipment		25,540,930	-	25,540,930
		\$ 217,575,259	\$ (40,864,195)	\$ 176,711,064
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 7,850,881	\$ -	\$ 7,850,881
Premium liability	(b)	-	836,000	836,000
Capital lease obligation		600,000	-	600,000
		8,450,881	836,000	9,286,881
Capital lease obligation		1,552,652	-	1,552,652
Asset retirement obligation	(a)	1,806,108	832,331	2,638,439
Future income taxes	(c)	30,451,074	(30,451,074)	-
		42,260,715	(28,782,743)	13,477,972
Shareholders' Equity				
Share capital	(b), (c)	163,077,838	(2,997,074)	160,080,764
Reserves	(d), (e)	-	8,775,142	8,775,142
Warrants	(e)	873,059	(873,059)	-
Contributed Surplus	(d), (e)	14,340,712	(14,340,712)	-
Deficit	(a), (c), (e)	(2,977,065)	(2,645,749)	(5,622,814)
		175,314,544	(12,081,452)	163,233,092
		\$ 217,575,259	\$ (40,864,195)	\$ 176,711,064

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Prepared in accordance with IFRS
(Unaudited, expressed in Canadian dollars)

22. First Time Adoption of IFRS (continued)

Reconciliation of consolidated statement of operations and comprehensive loss for the three months ended December 31, 2010

	Note 22 Ref	Canadian GAAP	Effects of conversion to IFRS	IFRS
Expenses				
Corporate administration		\$ 785,229	\$ -	\$ 785,229
Management costs		101,270	-	101,270
Professional fees		50,330	-	50,330
Directors' fees		47,750	-	47,750
Accretion	(a)	-	14,161	14,161
Depreciation		45,060	-	45,060
Stock-based compensation		330,083	-	330,083
Loss before the undernoted		1,359,722	14,161	1,373,883
Interest earned		85,372	-	85,372
Loss before income taxes		1,274,350	14,161	1,288,511
Income taxes	(c)	(279,150)	279,150	-
Net loss for the period		\$ 995,200	\$ 293,311	\$ 1,288,511

Reconciliation of consolidated statement of operations and comprehensive loss for the nine months ended December 31, 2010

	Note 22 Ref	Canadian GAAP	Effects of conversion to IFRS	IFRS
Expenses				
Administration		\$ 2,311,570	\$ -	\$ 2,311,570
Management costs		276,270	-	276,270
Professional fees		227,296	-	227,296
Directors' fees		95,750	-	95,750
Accretion	(a)	-	26,554	26,554
Depreciation		118,763	-	118,763
Stock-based compensation		531,624	-	531,264
Loss before the undernoted		3,561,273	26,554	3,587,827
Interest earned		199,673	-	199,673
Loss before income taxes		3,361,600	26,554	3,388,154
Income taxes	(c)	(854,290)	854,290	-
Net loss for the period		\$ 2,507,310	\$ 880,844	\$ 3,388,154

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22. First Time Adoption of IFRS (continued)

Reconciliation of consolidated statement of financial position as of March 31, 2011

	Note 22 Ref	Canadian GAAP	Effects of conversion to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		\$ 7,563,670	\$ -	\$ 7,563,670
Tax credits receivable		869,000	-	869,000
Accounts receivable and prepaid expenses		1,321,553	-	1,321,553
Inventories		210,315	-	210,315
		9,964,538	-	9,964,538
Restricted cash		3,040,568	-	3,040,568
Mineral property interests	(a), (c)	163,773,350	(40,875,574)	122,897,776
Long term prepaid advances		11,700,000	-	11,700,000
Property, plant and equipment		36,676,720	-	36,676,720
		225,155,176	\$ (40,875,574)	\$ 184,279,602
Liabilities				
Current				
Accounts payable and accrued liabilities		\$ 14,928,986	\$ -	\$ 14,928,986
Capital lease obligation		392,694	-	392,694
		15,321,680	-	15,321,680
Long term payables				
Capital lease obligation		1,668,321	-	1,668,321
Future income taxes	(c)	31,836,022	(31,836,022)	-
Asset retirement obligations	(a)	1,892,943	837,356	2,730,299
		50,718,966	(30,998,666)	19,720,300
Shareholders' Equity				
Share capital	(b), (c)	165,021,464	(1,634,010)	163,387,454
Reserves	(d), (e)	-	7,417,523	7,417,523
Warrants	(e)	450,492	(450,492)	-
Contributed Surplus	(d), (e)	13,405,660	(13,405,660)	-
Deficit	(a), (b), (c), (e)	(4,441,406)	(1,804,269)	(6,245,675)
		174,436,210	(9,876,908)	164,559,302
		\$ 225,155,176	\$ (40,875,574)	\$ 184,279,602

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22. First Time Adoption of IFRS (continued)

**Reconciliation of consolidated statement of operations and comprehensive loss for the year ended
March 31, 2011**

	Note 22 Ref	Canadian GAAP	Effects of conversion to IFRS	IFRS
Expenses				
Corporate administration		\$ 2,857,023	\$ -	\$ 2,857,023
Management costs		513,700	-	513,700
Professional fees		343,347	-	343,347
Directors' fees		123,000	-	123,000
Accretion	(a)	-	42,958	42,958
Depreciation		166,535	-	166,535
Stock-based compensation		1,106,764	-	1,106,764
Loss before the undernoted		5,110,369	42,958	5,153,327
Interest earned		306,312	-	306,312
Loss before income taxes		4,804,057	42,958	4,847,015
Income taxes	(b)	(832,407)	(3,593)	(836,000)
Net loss for the period		\$ 3,971,650	\$ 39,365	\$ 4,011,015

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December 31, 2011

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22. First Time Adoption of IFRS (continued)

Notes to Reconciliations of consolidated financial statements from Canadian GAAP to IFRS

(a) Asset retirement obligations

Under Canadian GAAP, provisions for asset retirement obligations have been previously measured based on the estimated cost of rehabilitation, discounted to its net present value upon initial recognition using a credit-adjusted risk-free rate. However, adjustments to the discount rate were not reflected in the provisions or the related assets under Canadian GAAP unless it related to an upward revision in the future costs estimates. The Company has elected to apply the exemption from full retrospective application as allowed under IFRS 1 for asset retirement obligations included in the cost of exploration and evaluation assets. As such the Company has re-measured asset retirement obligations as at April 1, 2010 under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and estimated the amount to be included in the related asset by discounting the liabilities to the date in which the liabilities arose using best estimates of the appropriate historical discount rates, being a rate that reflects current market assessment of the time value of money and the risk specific to the liability.

Impact on Consolidated Statement of Financial Position

	March 31, 2011	December 31, 2010	April 1, 2010
Mineral property interests	\$ 794,398	\$ 805,777	\$ -
Asset retirement obligation	(837,356)	(832,331)	-
Adjustment to deficit	42,958	26,554	-

(b) Flow-through shares

Canadian tax legislation permits mining companies to issue flow-through shares to investors. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by investors instead of the issuer. Under Canadian GAAP, in accordance with EIC-146, *Flow-through Shares*, a deferred tax liability was recognized on the date that the issuer filed renouncement documents with the Canadian tax authorities assuming there was reasonable assurance the expenditures would be made.

Under IFRS, the issuance of flow-through shares is considered an issuance of ordinary common shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as a liability called flow-through share premium in the statement of financial position to recognize the obligation to incur and renounce eligible exploration and evaluation expenditures. Accordingly, the Company adjusted the flow-through share issuance in fiscal 2010 and recorded a deferral of the sale of tax deductions.

Impact on Consolidated Statement of Financial Position

	March 31, 2011	December 31, 2010	April 1, 2010
Flow-through share premium	\$ -	\$ (836,000)	\$ (836,000)
Share capital	836,000	836,000	836,000
Adjustment to deficit	(836,000)	-	-

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22. First Time Adoption of IFRS (continued)

Notes to Reconciliations of consolidated financial statements from Canadian GAAP to IFRS (continued)

(c) Future Income Taxes

Under Canadian GAAP the fair value allocation on acquisition of mineral properties, treated as asset acquisitions, included a gross-up of deferred tax on the allocated fair value with the debit entry capitalized to the mineral property and the credit entry accounted for as a future income tax liability. An IFRS adjusting entry was processed on the April 1, 2010 statement of financial position to eliminate the future income tax entry accounted for on acquisition of mineral properties, reducing the carrying value of mineral property interests.

In addition to the adjustment to future income taxes as noted above, an additional adjustment was processed to eliminate the future income tax liability recognized under Canadian GAAP on the temporary difference between the accounting and tax base of mineral properties. Under IFRS, deferred taxes should not be recognized for the acquisition of assets that do not constitute a business combination and had no statement of operations impact on initial recognition. Upon the elimination of these future income tax liabilities, certain future tax assets recognized and offset against the future income tax liability were reversed.

Impact on Consolidated Statement of Financial Position

	March 31, 2011	December 31, 2010	April 1, 2010
Mineral property interests	\$(41,669,972)	\$(41,669,972)	\$(41,669,972)
Future income taxes	31,836,022	30,451,074	31,305,364
Share capital	798,010	2,161,074	2,161,074
Adjustment to deficit	9,035,940	9,057,824	8,203,534

(d) Share-based Payments

On transition to IFRS the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus. The value of outstanding options has been transferred from contributed surplus to stock option reserve.

Impact on Consolidated Statement of Financial Position

	March 31, 2011	December 31, 2010	April 1, 2010
Stock option reserve	\$(6,967,031)	\$(7,902,083)	\$(7,656,587)
Contributed surplus	6,967,031	7,902,083	7,656,587
Adjustment to deficit	-	-	-

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22. First Time Adoption of IFRS (continued)

Notes to Reconciliations of consolidated financial statements from Canadian GAAP to IFRS (continued)

(e) Warrants

On transition to IFRS the Company elected to change its accounting policy for the treatment of warrants whereby amounts recorded for expired warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to transfer such amounts to contributed surplus. The value of outstanding warrants has been transferred from warrants to warrants reserve.

Impact on Consolidated Statement of Financial Position

	March 31, 2011	December 31, 2010	April 1, 2010
Warrants reserve	\$ (450,492)	\$(873,059)	\$(1,146,876)
Warrant	450,492	873,059	1,146,876
Contributed surplus	6,438,629	6,438,629	6,438,629
Adjustment to deficit	(6,438,629)	(6,438,629)	(6,438,629)