Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2014 and 2013

(Unaudited, expressed in Canadian dollars)

The Company's auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three and nine months ended December 31, 2014 and 2013.

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

	December 31, 2014 $	March 31, 2014 $
ASSETS		
Current assets		
Cash and cash equivalents	2,093,884	7,477,622
Restricted cash (Note 5)	-	2,847,958
Accounts receivable and prepaid expenses (Notes 6, 23 and 24)	1,285,599	4,077,383
Inventories (Notes 7 and 24)	100,000	2,109,158
Total current assets	3,479,483	16,512,121
Non-current assets		
Restricted cash (Note 5)	4,024,993	4,199,517
Long term prepaid expenses, advances and deferred expenses (Notes 8 and 24)	150,000	20,576,625
Mineral property interests (Notes 9 and 24)	1	82,738,091
Property, plant and equipment (Notes 10, 12(b) and 24)	8,215,456	100,541,203
Total non-current assets	12,390,450	208,055,436
Total assets	15,869,933	224,567,557
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 11 and 23)	35,927,060	21,354,199
Deferred revenue (Note 12(a))	23,226,209	-
Rail construction advance (Note 12(b))	5,000,000	2,000,000
Finance lease obligation (Note 13)	782,168	954,608
Rehabilitation provision (Note 14)	760,976	736,422
Other liabilities (Note 15)	32,320	129,283
Total current liabilities	65,728,733	25,174,512
Non-current liabilities		
Long term payables (Note 16)	-	14,727,240
Deferred revenue (Note 12(a))	-	22,129,066
Finance lease obligation (Note 13)	817,800	1,351,429
Rehabilitation provision (Note 14)	3,008,411	3,199,104
Total non-current liabilities	3,826,211	41,406,839
Total liabilities	69,554,944	66,581,351
SHAREHOLDERS' EQUITY		
Share capital (Note 17)	393,524,694	393,524,694
Reserves (Note 18)	12,201,987	13,426,543
Deficit	(459,411,692)	(248,965,031)
Total shareholders’ equity	(53,685,011)	157,986,206
Total liabilities and shareholders’ equity	15,869,933	224,567,557

Going concern (Note 1)

Commitments and contingencies (Notes 12, 13, and 21)

The financial statements were approved by the Board of Directors on February 11, 2015, and signed on its behalf by:

Signed *“John F. Kearney”*	Signed *“Eric Cunningham”*
Director	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

(Unaudited, expressed in Canadian dollars)

	Three months ended		Nine months ended	
	December 31, 2014 $	**December 31, 2013 $**	**December 31, 2014 $**	**December 31, 2013 $**
Revenue, net (Note 22)	-	28,409,197	-	86,600,402
Operating expenses				
Mining	-	(6,030,051)	-	(21,470,281)
Processing	-	(12,223,320)	-	(35,773,225)
Site and property	(803,345)	(5,062,221)	(4,640,693)	(13,139,269)
Rail and transportation	-	(20,309,313)	-	(57,463,390)
Royalties, social development and training	(103,279)	(1,305,914)	(1,448,903)	(3,428,892)
Depletion and depreciation	(1,390)	(11,296,732)	(2,496,149)	(37,641,130)
Loss before the undernoted	(908,014)	(27,818,354)	(8,585,745)	(82,315,785)
Corporate and administrative costs	(1,176,661)	(2,328,820)	(3,571,819)	(6,272,001)
Finance lease expenses (Note 13)	(48,446)	(73,528)	(164,753)	(237,985)
Accretion on rehabilitation provision (Note 14)	(15,924)	(10,802)	(47,520)	(32,255)
Foreign exchange loss	(878,511)	(1,044,143)	(1,309,761)	(1,564,084)
Put option contracts	-	-	-	(3,569,803)
Deferred share unit revaluation (Note 15)	21,548	(58,174)	96,963	(445,554)
Gain on sale of mineral property interests (Note 9)	-	-	-	9,591,104
Impairments (Note 24)	-	-	(198,168,728)	-
Interest earned	20,164	29,946	80,146	107,523
	(2,077,730)	(3,485,521)	(203,085,472)	(2,423,055)
Net loss and comprehensive loss for the period	(2,985,844)	(31,303,875)	(211,671,217)	(84,738,840)
Net loss per share				
Basic	(0.02)	(0.25)	(1.68)	(0.67)
Diluted	(0.02)	(0.25)	(1.68)	(0.67)
Weighted average number of shares outstanding				
Basic	126,323,123	126,200,807	126,323,123	126,200,807
Diluted	126,323,123	126,200,807	126,323,123	126,200,807

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

(Unaudited, expressed in Canadian dollars

	Three months ended		Nine months ended	
	December 31, 2014 $	**December 31, 2013 $**	**December 31, 2014 $**	**December 31, 2013 $**
Cash (used in) operating activities				
Net loss for the period	(2,985,844)	(31,303,875)	(211,671,217)	(84,738,840)
Items not involving cash:				
Deferred share unit revaluation	(21,548)	58,174	(96,963)	445,553
Depletion and depreciation	9,324	11,770,260	2,614,596	38,258,372
Accretion on rehabilitation provision	15,924	10,802	47,520	32,256
Interest on finance lease obligation	48,446	73,528	164,753	237,985
Interest (receivable)/payable	(14,448)	6,080	(42,652)	(49,190)
Foreign exchange loss/(gain)	878,511	289,715	1,309,761	(606,159)
Put option contracts	-	-	-	3,569,803
Gain on sale of mineral property interests (Note 9)	-	-	-	(9,591,104)
Impairments (Note 24)	-	-	198,168,728	-
Changes in working capital	364,307	8,063,667	1,483,063	19,085,757
Cash (used in) operating activities	(1,705,328)	(11,031,649)	(8,022,411)	(33,355,567)
Cash provided by investing activities				
Proceeds on sale of mineral property interests (Note 9)	-	-	-	30,000,000
Long term infrastructure advances	-	-	-	(1,000,000)
Transfer (to)/from current restricted cash (Note 5)	1,196,806	1,750,355	2,847,958	(4,749,645)
Additions to mineral property interests	-	(1,137,426)	(902,305)	(8,323,624)
Additions to property, plant and equipment	-	(1,128,424)	(1,653,334)	(14,413,213)
Transfer from non-current restricted cash	163,984	4,554,338	217,176	2,763,330
Cash provided by investing activities	1,360,790	4,038,843	509,495	4,276,848
Cash provided by (used in) financing activities				
(Repayment of)/advances from deferred revenue	-	(8,708,427)	-	22,949,549
Purchase of put option contracts	-	-	-	(3,569,803)
Proceeds from rail construction advance	-	-	3,000,000	2,000,000
Repayment of finance lease obligation	(290,274)	-	(870,822)	(967,582)
Cash provided by (used in) financing activities	(290,274)	(8,708,427)	2,129,178	20,412,164
Changes in cash and cash equivalents	(634,812)	(15,701,233)	(5,383,738)	(8,666,555)
Cash and cash equivalents, beginning of period	2,728,696	23,261,252	7,477,622	16,226,574
Cash and cash equivalents, end of period	2,093,884	7,560,019	2,093,884	7,560,019
Cash and cash equivalents consist of:				
Cash	-	1,595,045	-	1,595,045
Cash equivalents	2,093,884	5,964,974	2,093,884	5,964,974
	2,093,884	7,560,019	2,093,884	7,560,019
Supplemental disclosure of cash flow information				
Changes in accrued non-current assets	124,984	4,811,959	(28,816)	5,399.137
Depreciation included in corporate and administrative costs	7,934	473,528	118,447	617,242

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

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

	Share capital		Reserves: Warrants		Reserves: Stock options		Deficit	Shareholders' equity
	Number	Amount	Number	Amount	Number	Amount	Amount	Total
		$		$		$	$	$
Balance, March 31, 2013	126,200,807	393,500,526	16,505,000	6,552,450	1,716,875	9,699,202	(146,959,483)	262,792,695
Expiry of warrants	-	-	(662,500)	(1,172,625)	-	-	1,172,625	-
Expiry of vested options	-	-	-	-	(132,500)	(688,950)	688,950	-
Forfeiture of unvested options	-	-	-	-	(30,625)	(38,721)	-	(38,721)
Share based payments	-	-	-	-	-	402,417	-	402,417
Loss for the period	-	-	-	-	-	-	(84,738,840)	(84,738,840)
Balance, December 31, 2013	126,200,807	393,500,526	15,842,500	5,379,825	1,553,750	9,373,948	(229,836,748)	178,417,551
Redemption of deferred share units	122,316	24,168	-	-	-	-	-	24,168
Expiry of vested options	-	-	-	-	(308,672)	(1,349,919)	1,349,919	-
Forfeiture of unvested options	-	-	-	-	(15,703)	3,697	-	3,697
Share based payments	-	-	-	-	-	18,992	-	18,992
Loss for the period	-	-	-	-	-	-	(20,478,202)	(20,478,202)
Balance, March 31, 2014	126,323,123	393,524,694	15,842,500	5,379,825	1,229,375	8,046,718	(248,965,031)	157,986,206
Expiry of warrants	-	-	(2,042,500)	(756,825)	-	-	756,825	-
Expiry of vested options	-	-	-	-	(149,375)	(467,731)	467,731	-
Loss for the period	-	-	-	-	-	-	(211,671,217)	(211,671,217)
Balance, December 31, 2014	126,323,123	393,524,694	13,800,000	4,623,000	1,080,000	7,578,987	(459,411,692)	(53,685,011)

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

1. Nature of operations and going concern

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 north-eastern Quebec, near the town of Schefferville, Quebec (collectively, the "Schefferville Projects").

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

During the nine months ended December 31, 2014, the Company had a net loss of $211,671,217, negative cash flow from operations of $8,022,411 and an ending working capital deficit of $62,249,250. During the year ended March 31, 2014, the Company had a net loss of $105,217,042, negative cash flow from operations of $37,078,888 and an ending working capital deficit of $8,662,391.

The Company needs to secure additional financing arrangements and complete a financial restructuring in order to manage its current working capital deficit and to fund its continuing operations and corporate administration costs so as to continue as a going concern. The above risks, financial results and working capital deficit create a material uncertainty about the ability of the Company to continue as a going concern. There are no assurances that the Company will be successful in obtaining any required financing, or in obtaining financing on a timely basis or on reasonable or acceptable terms. The Company also needs to negotiate amendments to the commercial terms of certain of its major contracts to suspend or defer commitments that would otherwise come due. There are no assurances that the Company will be successful in negotiating such commercial terms, or in obtaining such suspension or deferral on a timely basis or on reasonable or acceptable terms or at all.

In order to address the Company's current financial position and the risks and uncertainties related to its ability to continue as a going concern, the Company is currently negotiating a potential support arrangement with RBRG Gerald Metals, an existing creditor and offtake customer, that, if successfully entered into, would provide working capital financing to fund the Company's ongoing corporate and standby activities and, as a separate component, potential future project development financing. It is expected that the conditions of this potential support arrangement and potential financing will include a requirement for the Company to restructure its existing liabilities, by means of a plan of arrangement under the applicable legislation of the Companies' Creditors Arrangement Act or the Bankruptcy and Insolvency Act, and a requirement to successfully negotiate more favourable commercial terms of certain major contracts and to suspend or defer commitments that have or otherwise would come due.

Subject to the Company concluding this potential support arrangement and RBRG Gerald Metals providing the contemplated working capital financing, the Company believes it will secure sufficient working capital to operate over the next 12 months and continue as a going concern.

If the Company is unable to complete a financial restructuring and obtain adequate additional financing in the immediate term, whether with RBRG or through other arrangements, the Company will be required to curtail all its operations and development activities and may be required to conduct a sales process to liquidate its assets.

The Company has reasonable expectations that the potential support arrangement negotiations will be successful and accordingly, the condensed interim consolidated financial statements for the period ended December 31, 2014 have been prepared on a going concern basis, using the historical cost convention. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ from the going concern basis.

1. Nature of operations and going concern (continued)

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.

If the going concern assumption were not appropriate for these condensed interim consolidated financial statements, adjustments would be necessary to the carrying values of the assets and liabilities, reported revenues and expenses, and statement of financial position classifications. Such adjustments could be material.

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"). The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

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

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34") on a basis consistent with the accounting policies disclosed in the consolidated financial statements of the Company for the year ended March 31, 2014.

3. Significant accounting judgments, estimates and assumptions

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the condensed interim consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of non-financial assets and at objective evidence of significant or prolonged decline of fair value of financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Mineral resource estimates

The figures for mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

3. Significant accounting judgments, estimates and assumptions (continued)

Impairment of non-financial assets

While assessing whether any indications of impairment exist for non-financial assets, consideration is given to both external and internal sources of information. External sources of information include, among other things, technical reports and arm's length mineral property transaction values. External sources of information also include changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of non-financial assets. Internal sources of information include the manner in which non-financial assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's non-financial assets, costs to sell the assets and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in an impairment of the carrying amounts of the Company's non-financial assets.

Cash generating units

Cash generating units ("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 and operational basis. The Company generally considers its Schefferville Projects to represent one CGU, as the Schefferville Projects are in close geographical proximity to each other and all share common management, rail, port, processing and mine support infrastructure. At the Company's fiscal year end and at September 30, 2014, the Company completed an impairment assessment of its mineral property interests based on a combination of factors including net present value and arm's length transaction value methodology. Refer to Note 24.

Estimation of rehabilitation provision

The rehabilitation cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Rehabilitation costs, including decommissioning, restoration and similar liabilities, are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

3. Significant accounting judgments, estimates and assumptions (continued)

Share based payments

Management determines costs for share-based compensation using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Deferral of stripping and dewatering costs

In determining whether stripping and dewatering costs incurred during the production phase of a mining property relate to mineral resources that will be mined in a future period and therefore should be capitalized, the Company determines whether it is probable that future economic benefit associated with the stripping activity will flow to the Company.

Asset lives, depletion/depreciation rates for property, plant and equipment and mineral interests

Depletion and depreciation expenses are allocated based on assumed asset lives and depletion and depreciation rates. Should the asset life or depletion and depreciation rate differ from the initial estimate, an adjustment would be made in the condensed interim consolidated statement of operations and comprehensive loss.

Inventory valuation

Saleable product and ore at site are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of inventories include estimates of the ore, estimates of the iron contained in the ore, assumptions of the amount of iron ore that is expected to be saleable and assumption of the iron ore price expected to be realized when the inventories are sold. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its inventories.

Commencement of commercial production

During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as property, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Company defines commencement of commercial production as the date that a mine has achieved a sustainable level of production that provides a basis for a reasonable expectation of profitability along with various qualitative factors including but not limited to the achievement of mechanical completion, whether production levels are sufficient to be at least capable of generating sustainable positive cash flow, the working effectiveness of the site processing plant, whether marketing arrangements for the product are in place, whether the product is of sufficient quantity to be sold, whether there is a sustainable level of production input available including power, water, diesel, etc. and whether the necessary permits are in place to allow continuous operations. The condensed interim consolidated financial statements of the Company are prepared on the basis that the Company's producing mine entered commercial production for accounting purposes effective April 1, 2012.

Contingencies

Refer to Note 21.

Going concern

Refer to Note 1.

4. Significant accounting policies

The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2014, which have been prepared in accordance with IFRS as issued by IASB. The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with the significant accounting policies used in the preparation of the consolidated financial statements for the year ended March 31, 2014. Refer to Note 4 to the consolidated financial statements for the year ended March 31, 2014 for a full description of significant accounting policies.

Impairment of assets

The Company assesses at each date of the consolidated statement of financial position the carrying amounts of assets to determine whether there is an indication that those assets have suffered an impairment.

If an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the assets belong.

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments for the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment is recognized immediately in the consolidated statement of comprehensive loss, unless the relevant asset (or CGU) is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset (or CGU) in prior periods. A previously recognized impairment is reversed only if there has been a change in the assumptions used to determine the recoverable amount of the asset (or CGU) since the last impairment was recognized.

New standards and interpretations adopted

IFRS 13 - *Fair Value Measurement* (“IFRS 13”) 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. There was no impact on the Company’s condensed interim consolidated financial statements upon adoption of this standard on April 1, 2013.

IFRIC 20 - *Stripping Costs in the Production Phase of a Surface Mine* (“IFRIC 20”) was issued in October 2011 and is effective for annual periods beginning on or after January 1, 2013. IFRIC 20 was issued to address the accounting for costs associated with waste removal in surface mining (“stripping costs”). The interpretation clarifies when production stripping should lead to the recognition of an asset and how the asset should be measured, both initially and in subsequent periods. The adoption of IFRIC 20 resulted in the capitalization of $Nil (March 31, 2014 - $14,180,563) of stripping costs in the nine months ended December 31, 2014 which would have been expensed under the Company’s previous accounting policy. There was no historical adjustment required as a result of the adoption of IFRIC 20.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

4. Significant accounting policies (continued)

Recent accounting pronouncements (continued)

IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 32 – *Financial Instruments: Presentation* ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

IAS 36 – *Impairments of Assets* ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014.

5. Restricted cash

Current restricted cash consists of cash held in a third party escrow account. Non-current restricted cash consists of guaranteed investment certificates and term deposits assigned by the Company to its bank as security for letters of credit issued for rehabilitation obligations and certain commercial contracts.

In September 2013, $5,000,000 was contributed to the operator and classified as current restricted cash for the exploration of the Howse property and $1,500,000 was classified as current restricted cash for Phase 1 modification and upgrading of the Silver Yards rail siding. As at December 31, 2014, the full $1,500,000 portion of current restricted cash earmarked for Phase 1 modification and upgrading had been expended on the Silver Yards rail siding and the full $5,000,000 of current restricted cash had been expended on Howse exploration.

	December 31, 2014 $	March 31, 2014 $
Restricted cash from Howse property transaction	-	2,847,958
Total – Current	-	2,847,958
Restricted bank account	55,077	-
Security for letters of credit for rehabilitation obligations	3,969,916	4,199,517
Total – Non-current	4,024,993	4,199,517

6. Accounts receivable and prepaid expenses

	December 31, 2014 $	March 31, 2014 $
Accounts receivable	225,363	650,646
Refundable taxes	13,883	1,603,337
Prepaid expenses	1,046,353	1,823,400
	1,285,599	4,077,383

Refer to Note 24 regarding impairment of accounts receivable and prepaid expenses.

7. Inventories

	December 31, 2014 $	March 31, 2014 $
Ore at site	-	1,859,158
Consumables	100,000	250,000
	100,000	2,109,158

Ore at site consists of (i) run of mine ore at site, carried at cost and (ii) treated ore at site (or in transit to port), carried at cost. Consumables consist of fuel for various activities at site. Refer to Note 24 regarding impairment of inventories.

8. Long term prepaid expenses, advances and deferred expenses

Long term prepaid expenses, advances and deferred expenses consist of various prepaid royalties, prepaid tariffs and infrastructure access advances. Refer to Note 24 regarding impairment of long term prepaid expenses, advances and deferred expenses.

9. 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 the Menihek area of 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 (“FOB”) Port) of iron ore shipped and sold from such properties, subject to such royalty being no greater than USD$1.50 per tonne, with such royalty being payable quarterly in arrears.

Six mining claims in Quebec are held subject to a royalty of 3% of the selling price FOB port of iron ore shipped and sold from the properties, subject to such royalty being no greater than US$1.50 per tonne. Seventeen mining claims in Quebec are subject to a royalty of $2.00 per tonne. An advance royalty payment of $2.0 million was paid which will be credited against future royalties payable on seventeen of the mining claims in Quebec.

The Company, through its wholly-owned subsidiary Schefferville Mines Inc. (“SMI”), holds 146 mining claims in Quebec which are subject to the payment of a royalty of $2.00 per tonne of iron ore shipped from the properties. These properties are subject to pre-existing litigation by a third party against the previous holder of the properties claiming breach of contract and seeking performance of an alleged agreement concerning the licensed properties and unspecified damages. The Company considers such litigation to be without merit.

9. Mineral property interests (continued)

In September 2013, the Company entered into an agreement with Tata Steel Minerals Canada Ltd. ("TSMC") for the exploration and development of LIM's Stage 3 Howse Deposit. Under the terms of the agreement, Howse Minerals Limited ("HML"), a wholly owned subsidiary of TSMC, acquired an initial 51% participating interest in the Howse Property for a total cash consideration of $30 million. As part of the agreement, LIM agreed to conduct a $5 million exploration program on the Howse Property. Following completion of LIM's $5 million exploration program and the calculation of a new NI 43-101 resource, HML shall contribute an additional $23.5 million and thereby increase its participating interest in the Howse Deposit to 70%, with LIM holding 30%. As at December 31, 2014, LIM's full $5 million exploration program had been completed. The agreement includes certain provisions regarding various "put" or "call" or "drag along" rights of each party's respective interest in the Howse property at fair market value in certain circumstances, including in the event of a change in control of the Company or in the event of certain defaults by the Company.

The reclamation balance included within mineral property interests represents amounts initially recorded to correspond with the rehabilitation provisions.

The Company's mineral property interests are as follows:

Cost at:	**Producing mines**	**Mineral property interests**	**Reclamation balance**	**Total**
	$	**$**	**$**	**$**
March 31, 2013	30,774,932	92,756,004	2,832,299	126,363,235
Additions	2,852,537	6,243,626	911,336	10,007,499
Reclassification to mineral property interests	(3,319,501)	3,319,501	-	-
Disposal of interest in Howse Deposit	-	(20,408,896)	-	(20,408,896)
Impairments	(5,170,905)	-	(293,300)	(5,464,205)
March 31, 2014	25,137,063	81,910,235	3,450,335	110,497,633
Additions	-	1,810,458	-	1,810,458
Impairments	-	(83,720,692)	(3,450,335)	(87,171,027)
December 31, 2014	25,137,063	1	-	25,137,064
Accumulated depletion and depreciation				
March 31, 2013	19,736,693	-	729,150	20,465,843
Depletion	5,400,370	-	-	5,400,370
Depreciation	-	-	1,893,329	1,893,329
March 31, 2014	25,137,063	-	2,622,479	27,759,542
Depreciation	-	-	75,199	75,199
Impairments	-	-	(2,697,678)	(2,697,678)
December 31, 2014	25,137,063	-	-	25,137,063
Net book value				
March 31, 2014	-	81,910,235	827,856	82,738,091
December 31, 2014	-	1	-	1

All of the Company's properties other than those in Stage 1 are categorized as mineral property interests. Stage 1 of the Schefferville Projects, primarily consisting of the James Mine, was classified as a producing mine.

9. Mineral property interests (continued)

As indications of impairment existed, the Company carried out an impairment assessment as at September 30, 2014 in accordance with the Company's accounting policies and as required by IAS 36, using prevailing iron ore prices and existing mining and transportation contract terms and prevailing ocean freight from eastern Canada to China and based on such assessment recorded a non-cash impairment charge against its mineral property interests in the amount of $84,473,349.

Significant judgments and assumptions are required in making estimates of fair value and valuations are subject to variability in key assumptions including, but not limited to, forecasts of long-term iron prices, currency exchange rates, discount rates, production, operating and capital costs. Any change in one or more of the assumptions used could result in a change in fair value. This fair value estimate does not give any value to higher iron ore prices, the potential to re-negotiate current contracts or reduce operating costs, the substantial in-situ resource or the exploration potential of the properties.

In September 2013, the Company completed the sale of a majority interest in the Howse Deposit to TSMC.

	Three months ended		Nine months ended	
	December 31, 2014 $	December 31, 2013 $	December 31, 2014 $	December 31, 2013 $
Proceeds on sale of mineral property interests	-	-	-	30,000,000
Carrying value of mineral property interests sold	-	-	-	(20,408,896)
Gain on sale of mineral property interests	-	-	-	9,591,104

10. Property, plant and equipment

Cost at:	Buildings and mine camp	Office equipment	Transportation infrastructure and equipment	Beneficiation plant and equipment	Total
	$	$	$	$	$
March 31, 2013	10,374,160	1,162,760	32,536,366	74,083,295	118,156,581
Additions	645,840	22,114	3,227,792	12,507,575	16,403,321
March 31, 2014	11,020,000	1,184,874	35,764,158	86,590,870	134,559,902
Additions	130,000	-	620,122	91,122	841,244
Impairments	(10,172,899)	(1,184,873)	(25,813,037)	(86,681,991)	(123,852,800)
December 31, 2014	977,101	1	10,571,243	1	11,548,346
Accumulated depreciation at:					
March 31, 2013	2,761,917	434,187	4,989,063	1,088,047	9,273,214
Depreciation for the year	1,844,277	223,300	3,784,602	18,893,306	24,745,485
March 31, 2014	4,606,194	657,487	8,773,665	19,981,353	34,018,699
Depreciation for the period	942,788	79,108	926,195	108,570	2,056,661
Impairments	(5,287,335)	(736,595)	(6,628,617)	(20,089,923)	(32,742,470)
December 31, 2014	261,647	-	3,071,243	-	3,332,890
Net book value at:					
March 31, 2014	6,413,806	527,387	26,990,493	66,609,517	100,541,203
December 31, 2014	715,454	1	7,500,000	1	8,215,456

10. Property, plant and equipment (continued)

As indications of impairment existed, the Company carried out an impairment assessment as at September 30, 2014 in accordance with the Company's accounting policies and as required by IAS 36, using prevailing iron ore prices and existing mining and transportation contract terms and prevailing ocean freight from eastern Canada to China and based on such assessment recorded a non-cash impairment charge against property, plant and equipment in the amount of $91,110,330.

Significant judgments and assumptions are required in making estimates of fair value and valuations are subject to variability in key assumptions including, but not limited to, forecasts of iron ore prices, currency exchange rates, discount rates, production, operating and capital costs. Any change in one or more of the assumptions used could result in a change in fair value.

11. Accounts payable and accrued liabilities

	December 31, 2014	March 31, 2014
	$	$
Trade payables and accruals	35,893,400	19,487,384
Sales taxes and statutory liabilities	33,660	1,866,815
	35,927,060	21,354,199

12. Deferred revenue and other financial liabilities

(a) Deferred revenue

The Company's subsidiary Labrador Iron Mines Limited entered into an arrangement with RB Metalloyd Limited (now RBRG Trading (UK) Limited) ("RBR"), pursuant to which RBR provided an advance payment of US$35,000,000 against the sale of future iron ore production by the Company. The advance payment is being credited against future sales in equal installments coinciding with the timing of seventeen shipments beginning in August 2013 and originally anticipated to end in December 2014.

Repayment of this financing is secured by a charge over the Company's Ferriman and Wishart low grade stockpiles and is guaranteed by the parent Company. At December 31, 2014, a total of 1,663,000 wmt of iron ore had been delivered under this contract with US$14.4 million credited against the advance payment. As at December 31, 2013 and December 31, 2014, $15,121,456 of the advanced payment had been recognized as revenue with respect to seven shipments, leaving a remaining balance of $23,226,209 (US$20.6 million) at December 31, 2014 (March 31, 2014 - $22,129,066 (US$20.6 million)). The remaining commitment of 1.8 million tonnes was due to be delivered and a remaining balance of US$20.6 million was due to be repaid during 2014. This product delivery commitment has not been met and repayment has not been made. Demand for payment has been made by RBR, including a claim for potential interest and penalties incremental to the US$20.6 million due. The Company has not agreed to the amount of the potential interest and penalties, if any, and accordingly has not accrued such charges as liabilities as at December 31, 2014. The Company is currently seeking to negotiate an extension of the delivery schedule and associated financing repayment timetable for the volume of product previously expected to be shipped in 2014. Subject to successful completion of these negotiations, it is expected that the Company's remaining off-take product delivery and financing repayment commitments will be deferred or restructured. Such extension has not yet been formally agreed and there is no assurance that negotiations will be successful or that any such deferrals or restructuring will be achieved.

12. Deferred revenue and other financial liabilities (continued)

(a) Deferred revenue (continued)

The advance payment of US$20.6 million is recognized as deferred revenue on the statement of financial position.

	Nine months ended December 31, 2014	Year ended March 31, 2014
	$	$
Balance, beginning of period	22,129,066	-
Advance payment received	-	37,520,522
Foreign exchange adjustment	1,097,143	(270,000)
Recognized as revenue	-	(15,121,456)
Balance, end of period	23,226,209	22,129,066

(b) Rail construction advance

As part of a strategic co-operation agreement with TSMC, TSMC has advanced a total of $5,000,000 to the Company in the form of a non-interest bearing loan for the purpose of upgrading and modifying the current rail infrastructure at the Company's Silver Yards site to enable construction of the new extended rail line to connect with TSMC's Timmins area plant near the Howse mine site. The Company has agreed to transfer ownership of a portion of its rail line to a rail operating company for consideration of $5,000,000 which will be used by the Company to repay the rail construction advance.

13. Finance lease obligation

The Company entered into finance lease agreements for a mine camp and a mine camp expansion during the years ended March 31, 2012 and March 31, 2013 respectively. The Company uses an incremental borrowing rate of 11% in determining the value of the finance lease obligation.

	Nine months ended December 31, 2014	Year ended March 31, 2014
	$	$
Balance, beginning of period	2,306,037	3,161,636
Payments made	(870,822)	(1,161,097)
Finance lease expenses	164,753	305,498
Balance, end of period	1,599,968	2,306,037
Current portion, end of period	(782,168)	(954,608)
Non-current portion, end of period	817,800	1,351,429

Future minimum lease payments under the finance lease agreement as at December 31, 2014 are as follows:

	$
Not later than 1 year	611,000
Later than 1 year, not later than 5 years	645,000
	1,256,000

13. Finance lease obligation (continued)

The finance lease has a purchase option for the mine camp exercisable in June 2015 for $100,000 and has a purchase option for the mine camp extension exercisable in the month of June 2017 for $100,000.

14. Rehabilitation provision

Rehabilitation provision represents 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, 2014, the total undiscounted amount of the Company's rehabilitation provision is $3,913,368 and is expected to be incurred between 2014 and 2031. The present value of the rehabilitation provision has been estimated at $3,769,387 at December 31, 2014 using a discount rate ranging from 1.07% to 2.5% and a long-term inflation rate of approximately 1.4%.

A summary of the Company's rehabilitation provision is presented below:

	Nine months ended December 31, 2014	Year ended March 31, 2014
	$	$
Balance, beginning of period	3,935,526	2,971,469
Present value of obligation on inception	-	911,337
Present value of amendment to obligation	(213,659)	-
Accretion on rehabilitation provision	47,520	52,720
Balance, end of period	3,769,387	3,935,526
Current portion, end of period	(760,976)	(736,422)
Non-current portion, end of period	3,008,411	3,199,104

15. Other liabilities – Deferred share units

On April 1, 2012 the Company adopted the Deferred Share Unit ("DSU") plan under which DSUs may be granted by the Board at the end of each quarter to certain directors and key senior employees. The performance period of each DSU commences on the grant date and expires on the termination date of the participant. The termination date is when the participant ceases to be a director or key senior employee of the Company. On redemption each unit entitles the participant to receive, at the Company's option, that number of shares of the Company equal to the number of DSUs redeemed or the cash equivalent based on the value of the shares on the date of redemption.

15. Other liabilities - Deferred share units (continued)

A summary of deferred share units granted and exercised is presented below:

	Number of deferred shares units		Fair value	
	Nine months ended December 31, 2014	Year ended March 31, 2014	Nine months ended December 31, 2014 $	Year ended March 31, 2014 $
Balance, beginning of period	1,077,362	259,264	129,283	165,929
Granted	-	992,835	-	253,370
Redeemed	-	(174,737)	-	(34,526)
Adjustment to fair value	-	-	(96,963)	(255,490)
Balance, end of period	1,077,362	1,077,362	32,320	129,283

At each period end a fair value adjustment is recognized based on the prevailing share price of the company at the period end.

The issuance of new deferred share units was suspended indefinitely effective April 1, 2014.

16. Long term payables

Long-term payables consist of payables which have payment terms extending beyond one year, subject to acceleration in the event of default.

17. Share capital

Authorized	Number of shares		Amount	
Unlimited common shares, no par value	Nine months ended December 31, 2014	Year ended March 31, 2014	Nine months ended December 31, 2014	Year ended March 31, 2014
Issued			$	$
Balance, beginning of period	126,323,123	126,200,807	393,524,694	393,500,526
Redemption of deferred share units	-	122,316	-	24,168
Balance, end of period	126,323,123	126,323,123	393,524,694	393,524,694

18. 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.

18. Reserves (continued)

(a) Stock options (continued)

A summary of the Company's options at December 31, 2014 and March 31, 2014 and the changes for the periods then ended is presented below:

	Nine months ended December 31, 2014		Year ended March 31, 2014	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding, beginning of period	1,229,375	4.83	1,716,875	5.17
Expired	(149,375)	4.76	(441,172)	6.41
Forfeited	-	-	(46,328)	3.69
Outstanding, end of period	1,080,000	4.78	1,229,375	4.83

The following table sets out details of the stock options outstanding at December 31, 2014:

Options outstanding and exercisable			
Number	Weighted average exercise price $	Expiry date	Grant date fair value $
200,000	6.27	14/09/2015	948,000
100,000	6.80	22/09/2016	509,000
40,000	6.81	10/11/2016	195,600
200,000	6.35	30/11/2016	924,000
20,000	6.20	09/02/2017	91,400
520,000	3.00	02/07/2017	868,400
1,080,000	4.78		3,536,400

There were no options granted during the nine months ended December 31, 2014 and December 31, 2013 respectively.

The weighted average contractual life remaining for outstanding and exercisable options at December 31, 2014 is 2.0 years (March 31, 2014 – 2.7 years).

The total number of common shares that are issuable pursuant to stock options that are exercisable as at December 31, 2014 is 1,080,000 (March 31, 2014 – 1,149,765).

18. Reserves (continued)

(b) Warrants

A summary of the Company's share purchase warrants at December 31, 2014 and March 31, 2014 and the changes for the periods then ended is presented below:

	Nine months ended December 31, 2014		Year ended March 31, 2014	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Outstanding, beginning of period	15,842,500	1.31	16,505,000	1.49
Expired	(2,042,500)	1.03	(662,500)	5.30
Outstanding, end of period	13,800,000	1.35	15,842,500	1.31

As at December 31, 2014, the Company had 13,800,000 outstanding exercisable warrants, with a weighted average remaining contractual life of 1.1 years, as follows:

Warrants outstanding and exercisable			
Number	Weighted average exercise price $	Expiry date	Grant date fair value $
13,800,000	1.35	12/02/2016	4,623,000

(c) Reserves

A summary of the reserves account is presented below:

	$
Balance, March 31, 2013	16,251,652
Expiry of vested options	(2,038,869)
Forfeiture of unvested options	(35,024)
Expiry of warrants	(1,172,625)
Share based payments	421,409
Balance, March 31, 2014	13,426,543
Expiry of warrants	(756,825)
Expiry of vested options	(467,731)
Balance, December 31, 2014	12,201,987

19. 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.

(a) Level 1 - Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) 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).

(c) 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, 2014 and March 31, 2014, 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, 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 nine months ended December 31, 2014.

(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, 2014, 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 consist of amounts owing from the sale of iron ore and sales tax recoverable from the Government of Canada. 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, 2014, the Company had a working capital deficit of $62,249,250. The Company needs to secure additional financing and complete a financial restructuring in order to continue as a going concern. Refer to Note 1.

19. 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 and U.S. dollars. The Company's functional and reporting currency is the Canadian dollar. 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 revenue in the condensed interim consolidated statement of operations and comprehensive loss, 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 condensed interim consolidated statement of operations and comprehensive loss.

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, 2014 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the nine months ended December 31, 2014 had been 100 basis points higher (lower) then the loss would have been approximately $30,000 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. Fluctuations in the iron ore price could create volatility in the Company's future cash flows and the future reported amounts for sales in the condensed interim consolidated statement of operations and comprehensive loss, 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.

20. Capital management

The capital of the Company consists of common shares, stock options, share purchase warrants and finance leases. There were no changes to the Company's approach to capital management during the year. 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, directors 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.

20. Capital management (continued)

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

21. Commitments and contingencies

(a) The Company is committed to a minimum amount of rental payments under a long-term operating lease for its head office premises, which expires on August 31, 2019. As at December 31, 2014, minimum rental commitments remaining under this lease are as follows:

	$
Not later than 1 year	576,000
Later than 1 year, not later than 5 years	2,112,000
	2,688,000

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.

(b) The Company is committed to future payments under contracts for the supply of locomotives and the use of third party rail and port infrastructure. The rail contracts include provisions for future capital contributions by the Company, which will be credited against future tariffs. The rail contracts also include provisions for minimum future haulage volumes and tariffs. The port contract includes a provision for a future buy-in payment, which will be credited against future shipping fees. The port contract also includes provisions for minimum future shipping volumes and fees. The Company has also agreed to certain community development and training contributions to various First Nations communities. Commitments under the rail contracts were not met in 2014 and have been informally deferred. Certain contributions to various First Nations communities were not met in 2014 and are in arrears. As at December 31, 2014, minimum commitments relating to rail, port and First Nations agreements, net of credits of $30,969,000 against future tariffs and fees, are as follows:

	$
Not later than 1 year	37,574,000
Later than 1 year, not later than 5 years	94,249,000
Later than 5 years	25,493 ,000
	157,316,000

(c) 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.

(d) Refer to Note 9 regarding potential provisions, in certain circumstances, contained in the agreement with TSMC with respect to the Howse Property.

(e) Refer to Note 12(a) regarding deferred revenue.

(f) Refer to Note 13 regarding finance lease obligation.

(g) The Company has indemnified the subscribers of flow-through shares against certain tax related amounts for which they may become liable.

22. Revenue, net

Revenue from mining operations recognized by the Company is calculated based on the actual realized price (i.e. CFR China price plus or minus value-in-use adjustments) of a shipment of iron ore resold in China, less shipping costs and the Iron Ore Company of Canada's ("IOC") participation, which includes product handling, ship loading and sales costs. To date, the Company has sold its entire iron ore product to IOC at Sept-Iles, which product has been resold in China by way of an off-take arrangement with RBRG Gerald Metals (formerly RB Metalloyd Limited). The Company has not completed any sales of iron ore in the fiscal year commencing April 1, 2014.

23. Related party transactions and compensation of key management personnel

During the nine months ended December 31, 2014, the Company recovered $107,201 (December 31, 2013 - $90,045) in respect of office rent from corporations with common directors and/or officers. At December 31, 2014, $40,168 (March 31, 2014 - $48,791) remained receivable.

During the nine months ended December 31, 2014, the Company made payments to companies with common directors and/or officers, in respect of management compensation (management costs) provided in the amount of $150,000 (December 31, 2013 - $436,500). All of the management compensation in the nine months ended December 31, 2014 was expensed. At December 31, 2014, $604,370 (March 31, 2014 - $620,587) in management compensation remained payable to these related companies.

During the nine months ended December 31, 2014, the Company incurred legal fees in respect of services provided by a professional corporation controlled by an officer in the amount of $98,260 (December 31, 2013 - $93,560). At December 31, 2014, $11,320 (March 31, 2014 - $36,960) remained payable to this related party for legal fees.

Compensation of key management personnel of the Company

The remuneration of directors and other key management personnel was as follows:

	Three months ended		**Nine months ended**	
	December 31, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
	$	**$**	**$**	**$**
Short term compensation *(i)*	204,072	282,750	596,461	920,931
Share based payments *(ii)*	-	29,911	-	245,496
	204,072	312,661	596,461	1,166,427

(i) Short term compensation includes salaries, bonuses and allowances, employment benefits and directors' fees.
(ii) Share based payments represent the amount recorded by the Company for vested stock options and DSUs issued during the period.

In accordance with IAS 24 – *Related Parties Disclosures* ("IAS 24"), key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key management is determined by the compensation committee, having regard to the performance of individuals and market trends.

24. Impairments

	Three months ended		Nine months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	$	$	$	$
Accounts receivable and prepaid expenses	-	-	1,124,266	-
Inventories	-	-	1,859,158	-
Long term prepaid expenses, advances and deferred expenses	-	-	19,601,625	-
Mineral property interests	-	-	84,473,349	-
Property, plant and equipment	-	-	91,110,330	-
	-	-	198,168,728	-

Due to a significant decline in the price of iron ore subsequent to March 31, 2014, the Company carried out an impairment assessment as at September 30, 2014 in accordance with the Company's accounting policies and as required by IAS 36, using prevailing iron ore prices, existing mining and transportation contract terms and prevailing ocean freight from eastern Canada to China. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount.

As at September 30, 2014 it was determined that, based on prevailing iron ore prices, existing contract terms and prevailing ocean freight from eastern Canada to China, the carrying value exceeded the recoverable amount of certain assets. Accordingly, a non-cash impairment totaling $198,168,728 was recognized during the nine months ended December 31, 2014.

As outlined in its accounting policies the Company uses the fair value less cost of disposal to determine recoverable amount as it believes that this will generally result in a value greater than or equal to the value in use. When there is no binding sales agreement, fair value less costs of disposal is estimated by various valuation methods including the discounted future cash flows expected to be derived from a project and estimates of value of exploration potential, less an amount for costs to sell estimated based on similar past transactions.

Estimated cash flows based on expected future production, operating costs and capital costs estimates, and forecasts of commodity prices and exchange rate assumptions are included in the determination of fair value.

The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. Key estimates and judgments used in the fair value less cost of disposal calculation are estimates of production levels, operating costs and capital expenditures reflected in the project's life of mine plans, the value of in situ minerals, exploration potential and land holdings, as well as economic factors beyond the Company's control, such as metal prices, discount rates and foreign exchange rates.

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

This fair value estimate does not give any value to the potential to reduce operating costs, higher iron ore prices, the substantial in-situ resource or the exploration potential of the Company's properties. The fair value estimate may not be representative of actual net realizable value in an actual transaction.