Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Consolidated Financial Statements

For the Years Ended March 31, 2012 and 2011

Prepared in accordance with International Financial Reporting Standards ("IFRS")

(Expressed in Canadian dollars)

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For the Years Ended March 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Labrador Iron Mines Holdings Limited

We have audited the accompanying consolidated financial statements of Labrador Iron Mines Holdings Limited and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended March 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Labrador Iron Mines Holdings Limited and its subsidiaries as at March 31, 2012, March 31, 2011 and April 1, 2010, and their financial performance and cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

McGOVERN, HURLEY, CUNNINGHAM, LLP

Chartered Accountants

Licensed Public Accountants

TORONTO, Canada

June 18, 2012

A member of UHY International, a network of independent accounting and consulting firms

LABRADOR IRON MINES HOLDINGS LIMITED
Consolidated Statements of Financial Position
Prepared in accordance with IFRS
(Expressed in Canadian dollars)

	March 31, 2012	March 31, 2011	April 1, 2010
ASSETS		(Note 23)	(Note 23)
Current assets			
Cash and cash equivalents	$ 71,064,119	$ 7,563,670	$ 48,299,095
Tax credits receivable (Note 8)	1,331,000	869,000	-
Accounts receivable and prepaid expenses (Note 18)	15,528,041	1,321,553	676,750
Inventories (Note 7)	15,551,290	210,315	-
Total current assets	103,474,450	9,964,538	48,975,845
Non current assets			
Restricted cash (Note 6)	8,948,220	3,040,568	-
Long-term prepaid expenses, advances and deferred expenses (Note 17)	10,930,116	11,700,000	2,255,000
Mineral property interests (Note 8)	173,935,743	129,193,274	111,298,052
Property, plant and equipment (Note 9)	82,465,618	30,381,222	5,834,851
Total non-current assets	276,279,697	174,315,064	119,387,903
Total Assets	$ 379,754,147	$ 184,279,602	$ 168,363,748
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities (Notes 12 and 19)	$ 40,520,547	$ 14,928,986	$ 2,118,827
Flow-through share premium	1,400,000	-	836,000
Finance lease obligation (Note 15)	438,137	392,694	-
Rehabilitation provision (Note 16)	519,889	-	-
Total current liabilities	42,878,573	15,321,680	2,954,827
Non current liabilities			
Finance lease obligation (Note 15)	1,230,185	1,668,321	-
Rehabilitation provision (Note 16)	2,554,931	2,730,299	-
Long term payables	-	-	1,000,000
Total liabilities	46,663,689	19,720,300	3,954,827
SHAREHOLDERS' EQUITY			
Share capital (Note 10)	341,511,257	163,387,454	157,840,118
Reserves (Note 11)	12,177,239	7,417,523	8,803,463
Deficit	(20,598,038)	(6,245,675)	(2,234,660)
Total shareholders' equity	333,090,458	164,559,302	164,408,921
Total liabilities and shareholders' equity	$ 379,754,147	$ 184,279,602	$ 168,363,748

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

The financial statements were approved by the Board of Directors on June 18, 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 consolidated financial statements

LABRADOR IRON MINES HOLDINGS LIMITED

Consolidated Statements of Operations and Comprehensive Loss

Prepared in accordance with IFRS

(Expressed in Canadian dollars)

	For the year ended March 31, 2012	For the year ended March 31, 2011 (Note 23)
Expenses		
Corporate administration	$ 3,159,773	$ 2,857,023
Management costs	1,428,429	513,700
Professional fees	356,060	343,347
Directors' fees	114,250	123,000
Start-up costs (Note 5)	9,602,698	-
Finance costs (Note 15)	217,028	-
Depreciation	1,342,511	166,535
Accretion (Note 16)	56,820	42,958
Foreign exchange (gain)	(507,759)	-
Share-based payments (Note 11)	1,193,436	1,106,764
Loss before the undernoted	16,963,246	5,153,327
Interest earned	(624,723)	(306,312)
Loss before income taxes	16,338,523	4,847,015
Deferred income tax recovery (Note 20)	(1,666,750)	(836,000)
Net loss and comprehensive loss for the year	$ 14,671,773	$ 4,011,015
Net loss per share		
Basic	$ 0.27	$ 0.09
Diluted	$ 0.27	$ 0.09
Weighted average number of shares outstanding		
Basic	53,786,507	43,683,583
Diluted	53,786,507	43,683,583

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

LABRADOR IRON MINES HOLDINGS LIMITED
Consolidated Statements of Cash Flows
Prepared in accordance with IFRS
(Expressed in Canadian dollars)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Cash provided by (used in) operating activities		
Net (loss) for the year	$ (14,671,773)	$ (4,011,015)
Items not involving cash		
Share-based payments	1,193,436	1,106,764
Depreciation	1,342,511	166,535
Accretion on rehabilitation provision	56,820	42,958
Interest on finance lease obligation	207,306	-
Interest	(72,576)	-
Foreign exchange	(18,041)	-
Deferred income tax recovery	(1,666,750)	(836,000)
Changes in working capital	798,734	83,271
Cash provided by (used in) operating activities	(12,830,333)	(3,447,487)
Cash provided by (used in) investing activities		
(Increase) in long-term advances	(10,639,500)	(9,245,000)
(Increase) in mineral property interests	(70,491,328)	(12,192,150)
Proceeds from pre-commercial production	32,007,404	-
(Increase) in inventories	3,392,475	-
(Increase) in property, plant and equipment	(55,061,376)	(14,869,430)
(Increase) in restricted cash	(5,842,771)	(3,040,568)
Cash (used in) investing activities	(106,635,096)	(39,347,148)
Cash provided by (used in) financing activities		
Exercise of stock options	508,073	1,259,988
Exercise of warrants	665,916	1,428,710
Proceeds from shares issued for cash	192,875,500	-
Share issue costs	(10,533,611)	(129,488)
Repayment of finance lease obligation	(550,000)	(500,000)
Cash provided by (used in) financing activities	182,965,878	2,059,210
Change in cash and cash equivalents	63,500,449	(40,735,425)
Cash and cash equivalents, beginning of year	7,563,670	48,299,095
Cash and cash equivalents, end of year	$ 71,064,119	$ 7,563,670
Cash and cash equivalents consist of:		
Cash	$ 379,042	$ 404,625
Cash Equivalents	70,685,077	7,159,045
	$ 71,064,119	$ 7,563,670
Supplemental disclosure of cash flow information		
Interest paid	$ -	$ -
Income taxes paid	-	-
Share-based payments recorded to mineral property interests	1,951,261	365,934
Change in accrued non-current assets	2,392,657	10,801,258
Change in accrued current assets	18,733,449	210,315
Change in accrued tax credits for mineral property interests	462,000	869,000
Rehabilitation provision charged to mineral property interests	287,700	(54,982)
Property, plant and equipment interest under finance lease	-	182,446
Change in long-term payables	-	(1,000,000)
Change in long—term advances	7,000,000	-

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

LABRADOR IRON MINES HOLDINGS LIMITED
Consolidated Statements of Changes in Equity
Prepared in accordance with IFRS
(Expressed in Canadian dollars)

	Share Capital		Reserves: Warrants		Reserves: Stock Options		Deficit	
	Number	Amount	Number	Amount	Number	Amount	Amount	Total
Balance, April 1, 2010 (Note 23)	43,369,951	$ 157,840,118	369,960	$ 1,146,876	1,899,500	$ 7,656,587	$ (2,234,660)	$ 164,408,921
Exercise of options	595,300	1,259,988	-	-	(595,300)	-	-	1,259,988
Exercise of options – valuation allocation	-	2,162,254	-	-	-	(2,162,254)	-	-
Exercise of warrants	224,640	1,428,710	(224,640)	-	-	-	-	1,428,710
Exercise of warrants – valuation allocation	-	696,384	-	(696,384)	-	-	-	-
Options granted	-	-	-	-	435,000	-	-	-
Stock based compensation	-	-	-	-	-	1,472,698	-	1,472,698
Loss for the year	-	-	-	-	-	-	(4,011,015)	(4,011,015)
Balance, March 31, 2011 (Note 23)	44,189,891	163,387,454	145,320	450,492	1,739,200	6,967,031	(6,245,675)	164,559,302
Exercise of options	222,012	508,073	-	-	-	-	-	508,073
Exercise of options – valuation allocation	-	777,142	-	-	(222,012)	(777,142)	-	-
Exercise of warrants	104,704	665,917	-	-	-	-	-	665,917
Exercise of warrants – valuation allocation	-	324,582	(104,704)	(324,582)	-	-	-	-
Public offerings, net of transaction costs	22,816,700	178,914,839	1,140,855	3,427,050	-	-	-	182,341,889
Flow-through share premium allocation	-	(3,066,750)	-	-	-	-	-	(3,066,750)
Options granted	-	-	-	-	722,500	-	-	-
Expiry of warrants	-	-	(40,616)	(125,910)	-	-	125,910	-
Expiry of unvested options	-	-	-	-	(25,000)	(193,500)	193,500	-
Forfeiture of vested options	-	-	-	-	(96,250)	(390,895)	-	(390,895)
Stock based compensation	-	-	-	-	-	3,144,695	-	3,144,695
Loss for the year	-	-	-	-	-	-	(14,671,773)	(14,671,773)
Balance, March 31, 2012	67,333,307	$ 341,511,257	1,140,855	$ 3,427,050	2,118,438	$ 8,750,189	$ (20,598,038)	$ 333,090,458

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

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 March 31, 2012, the Company was considered to be in a pre-production stage as the Schefferville Projects were not considered to have 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.

2. Basis of preparation

These 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 annual results and financial position under IFRS, they were prepared in accordance with IFRS 1, First-time Adoption of IFRS. 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 consolidated financial statements 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.

The preparation of financial statements in accordance with IFRS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The consolidated financial statements have been prepared on the historical cost basis.

3. Significant accounting judgments, estimates and assumptions

The preparation of 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 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:

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

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 assets and at objective evidence, significant or prolonged decline of fair value on 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.

Impairment of mineral property interests

While assessing whether any indications of impairment exist for mineral property interests, consideration is given to both external and internal sources of information. Information the Company considers includes 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 mineral property interests. Internal sources of information include the manner in which mineral property interests 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 mining properties, costs to sell the properties 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 a write-down of the carrying amounts of the Company's mineral property interests.

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 payments 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.

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. As at March 31, 2012 the Company had not yet commenced commercial production.

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. As at March 31, 2012, a cumulative total of $29,130,611 (2011 - $6,295,498) of stripping and dewatering costs have been capitalized.

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

Depreciation, depletion and amortization expenses are allocated based on assumed asset lives and depletion/ depreciation/ amortization rates. Should the asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of operations.

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 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 writedown the recorded value of its inventories.

Contingencies

Refer to Note 14.

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.

4. Significant accounting policies (continued)

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 translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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. Exchange differences on foreign currency borrowings relating to assets under construction for future productive use are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

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 through deferred income tax recovery.

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 March 31, 2012 and March 31, 2011, this policy is only applicable to the finance lease obligation.

4. Significant accounting policies (continued)

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.

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.

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.

Company as lessee

Assets held under finance 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 finance 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.

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.

4. Significant accounting policies (continued)

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. Expenditures deemed to be unsuccessful are recognized in profit or loss immediately.

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

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

At March 31, 2012, 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 March 31, 2012, none of the Company's properties were categorized as a producing mine as the Schefferville Projects were not considered to have reached commercial production.

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 finance 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, dewatering costs and roads are amortized using the units-of-production basis.

Buildings and mine camp	5% declining balance/ straight line
Beneficiation plant and equipment	Units of production basis/30% declining balance
Office equipment	30% declining balance
Transportation infrastructure and equipment	Units of production basis/ straight line/30% declining balance

4. Significant accounting policies (continued)

Depletion/depreciation/amortization (continued)

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.

Deferred stripping and dewatering costs

Stripping and dewatering 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 and dewatering 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 and dewatering 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 and dewatering 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 and dewatering 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 and dewatering costs are included as part of mineral property interests. 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.

4. Significant accounting policies (continued)

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.

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.

4. Significant accounting policies (continued)

Financial assets (continued)

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.

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.

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.

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, finance lease obligation and long-term payables. The Company does not have any derivative instruments at March 31, 2012 and 2011.

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.

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.

4. Significant accounting policies (continued)

Provisions (continued)

Rehabilitation provisions

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

Upon commencing commercial production, the Company will recognize revenue in the Statement of Operations and Comprehensive Income. Revenue will be recognized when all of the following criteria have been met: (i) the significant risks and rewards of ownership of the product have been transferred to the buyer; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the product sold, has been retained; (iii) the amount of revenue can be measured reliably; (iv) the collectability of the proceeds is probable; and (v) the costs associated with the sale can reliably be measured. The Company anticipates that all of these criteria will typically be met with respect to a shipment of the Company's iron ore when the vessel carrying the iron ore has departed the Port of Sept-Iles.

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 years ended March 31, 2012 and March 31, 2011 have been excluded from diluted loss per share.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of operations except to the extent it relates to items recognized directly in equity or in other comprehensive income, in which case the related taxes are recognized in equity or other comprehensive income.

4. Significant accounting policies (continued)

Income taxes (continued)

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, which may differ from earnings reported in the statement of operations due to items of income or expenses that are not currently taxable or deductible for tax purposes, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years

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.

Government assistance

Upon qualification for government mineral exploration assistance programs, recoverable amounts are offset against 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 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, 2015, 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.

4. Significant accounting policies (continued)

New standards and interpretations not yet adopted (continued)
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.

IAS 1 Presentation of Financial Statements (“IAS 1”) was amended in June 2011. The amendments are effective for annual periods beginning on or after July 1, 2012. Early adoption is permitted. The amendments to IAS 1 require companies preparing financial statements in accordance with IFRS to group together items within other comprehensive income (“OCI”) that may be reclassified to the profit or loss section of the Consolidated Statement of Operations. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The implementation of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

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. Early application is permitted. 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 Company is currently in the process of assessing the impact of this standard on the Company’s consolidated financial statements.

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.

	March 31, 2012	March 31, 2011	April 1, 2010
	$	$	$
Security for letters of credit for rehabilitation provisions	2,958,190	2,940,068	-
Security for letters of credit for commercial contracts	5,990,030	-	-
Other restricted cash	-	100,500	-
Total	8,948,220	3,040,568	-

7. Inventories

	March 31, 2012	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 iron ore at port, carried at cost.

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.

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 which will be credited against future royalties payable on certain of these Quebec properties.

The Company, through its wholly-owned subsidiary Schefferville Mines Inc. (“SMI”), holds an exclusive operating license in certain properties held by the licensor 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 from the licensor/lessee. 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 March 31, 2012 and are included in mineral property interests as property acquisitions costs.

The properties held under license are subject to pre-existing litigation by third parties against the lessee/licensor 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 rehabilitation provisions. This asset amount will be amortized over the useful life of the asset to which it relates. To date, no amortization has been recorded.

8. Mineral Property Interests (continued)

The Company's mineral property assets are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
	$	$	$
Mineral property interests	170,961,864	126,505,933	111,298,052
Reclamation balance	2,973,879	2,687,341	-
	173,935,743	129,193,274	111,298,052

Capitalized stripping and dewatering of $29,130,611 has been included in the mineral property interest balance as at March 31, 2012 (March 31, 2011 - $6,295,498; April 1, 2010 - $2,084,994).

The Company has accrued $1,331,000 (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. Such assistance is subject to governmental audit.

Prior to reaching commercial production, the proceeds from shipments of iron ore in the gross amount of $32,007,404, net of the mining, processing, transportation and other associated costs of shipment, have been credited against mineral property interests.

9. Property, Plant and Equipment

Cost at:	Buildings and mine camp	Office equipment	Transportation infrastructure and equipment	Beneficiation plant and equipment	Total
April 1, 2010	$ 931,880	$ 87,341	$ 1,682,425	$ 3,293,931	$ 5,995,577
Additions	4,046,257	114,757	4,725,244	15,826,649	24,712,907
March 31, 2011	4,978,137	202,098	6,407,669	19,120,580	30,708,484
Additions	954,686	352,868	22,533,487	31,587,325	55,428,366
March 31, 2012	5,932,823	554,966	28,941,156	50,707,905	86,136,850
Accumulated Depreciation at:					
April 1, 2010	$ 73,857	$ 37,286	$ 29,791	$ 19,792	$ 160,726
Depreciation for the year	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 year	1,079,798	106,841	1,838,507	318,824	3,343,970
March 31, 2012	1,206,536	177,670	1,929,433	357,593	3,671,232
Net Book Value at:					
April 1, 2010	$ 858,023	$ 50,055	$ 1,652,634	$ 3,274,139	$ 5,834,851
March 31, 2011	4,851,399	131,269	6,316,743	19,081,811	30,381,222
March 31, 2012	4,726,287	377,296	27,011,723	50,350,312	82,465,618

9. Property, Plant and Equipment (continued)

Property, plant and equipment with a total cost of $49,915,588 (March 31, 2011 - $28,462,542; April 1, 2010 - $4,811,371) has not been amortized pending the commencement of commercial production.

Included in buildings and mine camp is an asset under finance lease with a carrying value of $1,855,779 (March 31, 2011 - $2,561,015; April 1, 2010 - $nil).

10. Share Capital

Authorized

Unlimited common shares, no par value

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	222,012	508,073
Exercise of options - valuation allocation	-	777,142
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
Common shares issued at $5.30 per share	11,500,000	60,950,000
Flow-through shares issued at $6.10 per share	1,750,000	10,675,000
Share issue costs	-	(10,533,611)
Broker warrants – valuation allocation	-	(3,427,050)
Flow-through share premium liability allocation	-	(3,066,750)
Balance March 31, 2012	67,333,307	341,511,257

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. On March 20, 2012 the Company issued 11,500,000 common shares at an issue price of $5.30 per share and 1,750,000 flow-through shares at an issue price of $6.10 per flow-through share pursuant to a short form prospectus for gross proceeds of $71,625,000.

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.

11. Reserves (continued)

(a) Stock options (continued)

A summary of the Company's options at March 31, 2012 and March 31, 2011 and the changes for the years then ended is presented below:

	Year ended March 31, 2012			Year ended March 31, 2011		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of year	1,739,200	$	3.45	1,899,500	$	2.00
Granted	722,500		7.34	435,000		7.94
Exercised	(222,012)		2.29	(595,300)		2.12
Expired	(25,000)		10.18	-		-
Forfeited	(96,250)		9.04	-		-
Outstanding, end of year	2,118,438	$	4.56	1,739,200	$	3.45

The following table sets out details of the stock options outstanding at March 31, 2012:

Options Outstanding				Options Exercisable		
Number		Weighted Average Exercise Price	Expiry Date	Number		Weighted Average Exercise Price
1,107,188	$	2.00	31/08/2012	1,107,188	$	2.00
243,750		6.27	14/09/2015	186,719		6.27
12,500		7.30	09/11/2015	7,813		7.30
132,500		11.65	09/02/2016	66,250		11.65
77,500		10.18	23/06/2016	29,063		10.18
100,000		6.80	22/09/2016	25,000		6.80
40,000		6.81	10/11/2016	5,000		6.81
200,000		6.35	30/11/2016	25,000		6.35
205,000		6.20	09/02/2017	-		6.20
2,118,438	$	4.56		1,452,033	$	3.36

The stock-based compensation expense during the year ended March 31, 2012 related to the vesting of options granted has been recorded as to $1,951,261 (2011- $365,934) as a mineral property interest capitalized cost and as to $1,193,436 (2011 - $1,106,764) as an operating expense.

The weighted average grant date fair value of the stock options issued during the year ended March 31, 2012 is $5.46 (March 31, 2011 - $6.06). The exercise price of stock options granted during the year was equal to the market value of the common shares on the date of grant.

During the year ended March 31, 2012, 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 year ended March 31, 2012, 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%.

11. Reserves (continued)

(a) Stock options (continued)

During the year ended March 31, 2012, 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 year ended March 31, 2012, 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%.

During the year ended March 31, 2012, 205,000 options were granted to new employees at an exercise price of $6.20 per share, all with an expiry date of February 9, 2017. These options have a grant date estimated fair value of $936,850 calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 2.75%, expected life of 5 years, expected dividend rate of 0%, and current volatility of 96%.

During the year ended March 31, 2011, 435,000 options were granted with a weighted average exercise price of $7.94. The weighted average grant date fair value was $6.06. The fair value of options granted during the year ended March 31, 2011 has been estimated on the date of issue using the Black-Scholes pricing model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 103%, risk-free interest rate of 2.38% and expected life of 5 years.

Stock options granted during the years ended March 31, 2012 and 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 March 31, 2012 is 2.25 years and 1.05 years, respectively.

The total number of common shares that are issuable pursuant to stock options that are exercisable as at March 31, 2012 is 1,452,033. The weighted average exercise price of stock options that are exercisable at March 31, 2012 is $3.36.

(b) Warrants

A summary of the Company's share purchase warrants at March 31, 2012 and March 31, 2011 and the changes for the years then ended is presented below:

	Year ended March 31, 2012		Year ended March 31, 2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	145,320	$ 6.36	369,960	$ 6.36
Issued	1,140,835	8.32	-	-
Exercised	(104,704)	6.36	(224,640)	6.36
Expired	(40,616)	6.36	-	-
Outstanding, end of year	1,140,835	$ 8.32	145,320	$ 6.36

11. Reserves (continued)

As at March 31, 2012, the Company has outstanding exercisable warrants, with a weighted average remaining contractual life of 1.10 years, to purchase an aggregate 1,140,835 common shares as follows:

Warrants Outstanding and Exercisable			
Number	Exercise Price	Expiry Date	Grant Date Fair Value
478,335	$ 12.50	October 26, 2012	$2,254,425
662,500	$ 5.30	September 20,2013	1,172,625
			$3,427,050

During the year ended March 31, 2012, the Company issued 478,335 broker warrants as partial compensation to the underwriters of a 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%.

During the year ended March 31, 2012, the Company also issued 662,500 broker warrants as partial compensation to the underwriters of a second short form prospectus offering. The broker warrants are exercisable into common shares of the Company at an exercise price of $5.30 per share and expire on September 20, 2013. The broker warrants were assigned an estimated value of $1,172,625 calculated using the Black-Scholes option pricing model, based on the following assumptions: an average risk-free interest rate of 1.29%, expected dividend rate of 0%, expected life of 18 months and an expected volatility of 69%.

(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	(696,384)
Balance, March 31, 2011	7,417,523
Stock options issued	3,144,695
Stock options exercised	(777,142)
Stock options expired	(193,500)
Stock options forfeited	(390,895)
Broker warrants issued	3,427,050
Broker warrants exercised	(324,582)
Broker warrants expired	(125,910)
Balance, March 31, 2012	$ 12,177,239

12. Related Party Transactions and Compensation of Key Management Personnel

During the year ended March 31, 2012, the Company recovered $118,504 (March 31, 2011 - $120,060) in respect of office rent from corporations with common directors and/or officers. At March 31, 2012, $10,910 (March 31, 2011 - $Nil) remained receivable.

During the year ended March 31, 2012, the Company made payments to companies with common directors and/or officers, in respect of management compensation (management costs) provided in the amount of $674,812 (March 31, 2011 - $513,700). All of the management compensation in the year ended March 31, 2012 was expensed. At March 31, 2012, $175,000 (March 31, 2011 - $305,758; April 1, 2010 - $160,000) in management compensation remained payable to these related companies.

During the year ended March 31, 2012, 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 $285,141 (March 31, 2011 - $69,422). At March 31, 2012, $105,961 (March 31, 2011 - $18,920) 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 during the year was as follows:

	2012	2011
Short-term compensation (i)	$ 1,807,423	$ 780,737
Other long-term benefits	-	-
Share-based payments (ii)	714,459	793,964
	$ 2,521,882	$ 1,574,701

(i) Short-term compensation includes salaries, bonuses and allowances, employment benefits and directors' fees.

(ii) Share-based payments represents the amount recorded by the Company for stock vested options issued during the year to directors and other key management personnel.

In accordance with 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 executives is determined by the compensation committee, having regard to the performance of individuals and market trends.

13. 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 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 March 31, 2012, the Company had entered into an impact benefit agreement ("IBA") with each of the Innu Nation of Labrador, the Naskapi Nation of Kawawachikamach, the Nation Innu of Matimekush-Lac John, and Innu Takuaikan Uashat Mak Mani-Utenam.

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 March 31, 2012, minimum rental commitments remaining under this lease approximate $3,718,000 as follows (by fiscal year):

2013	$	502,000
2014		502,000
2015		502,000
2016		502,000
2017 and beyond		1,710,000
	$	3,718,000

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.

14. Commitments and Contingencies (continued)

(c) The Company is committed to future payments under certain long-term equipment supply and transportation contracts. As at March 31, 2012, minimum commitments remaining under these contracts are approximately $112,900,000 as follows (by fiscal year):

2013	$	39,300,000
2014		30,200,000
2015		30,200,000
2016		2,300,000
2017 and beyond		10,900,000
	$	112,900,000

(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 Expenses, as described in the Income Tax Act. As at March 31, 2012, $4,890,709 had been incurred, leaving a balance of $5,109,791 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.

The Company entered into flow-through share subscription agreements on March 20, 2012 whereby it is committed to incur, on or before December 31, 2013, a total of $10,675,000 of qualifying Canadian Exploration Expenses, as described in the Income Tax Act. As at March 31, 2012, $Nil had been incurred, leaving a balance of $10,675,000 to be incurred on or before December 31, 2013. 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. Finance Lease Obligation

The Company entered into a finance 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 finance lease obligation.

	Year ended March 31, 2012	Year ended March 31, 2011
Balance, beginning of year	$ 2,061,015	$ -
Present value of financel lease on inception	-	2,378,569
Less: payments made during the year	(600,000)	(500,000)
Add: Interest accretion	207,307	182,446
Balance, end of year	1,668,322	2,061,015
Less: current portion, end of year	(438,137)	(392,694)
Long-term portion, end of year	$ 1,230,185	$ 1,668,321

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

2013	$	600,000
2014		600,000
2015		600,000
2016		200,000
	$	2,000,000

16. 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 March 31, 2012, the Company has restricted rehabilitation deposits related to anticipated reclamation and remediation obligations of $2,958,190 (March 31, 2011 – $2,940,068; April 2, 2010 - $nil). The total undiscounted amount is expected to be $2,940,067 and is expected to be incurred between 2013 and 2031. The present value of the rehabilitation provision has been estimated at $2,987,801 at March 31, 2012 using a discount rate of 2.66% per annum.

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

	Year ended March 31, 2012	Year ended March 31, 2011
Balance, beginning of year	$ 2,730,299	$ -
Present value of obligation on inception	-	2,742,323
Accretion expense	56,821	42,958
Change in estimates	287,700	(54,982)
Balance, end of year	$ 3,074,820	$ 2,730,299

	Year ended March 31, 2012	Year ended March 31, 2011
Current	$ 519,889	$ -
Non-current	2,554,931	2,730,299
Balance, end of year	$ 3,074,820	$ 2,730,299

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 infrastructure access advances, which in aggregate total $10,930,116 at March 31, 2012 (March 31, 2011 - $11,700,000; April 1, 2010 - $2,255,000).

18. Accounts receivable and prepaid expenses

	March 31, 2012	March 31, 2011	April 1, 2010
Accounts receivable	$ 214,173	$ 75,010	$ 197,533
Refundable taxes	4,223,886	1,113,931	222,316
Reimbursable expenses	-	8,642	1,379
Prepaid expenses	11,089,982	123,970	255,522
	$ 15,528,041	$ 1,321,553	$ 676,750

19. Accounts payable and accrued liabilities

	March 31, 2012	March 31, 2011	April 1, 2010
Trade payables and accruals	$ 39,257,491	$ 14,810,976	$ 2,046,531
Payroll and other statutory liabilities	1,263,056	118,010	72,296
	$ 40,520,547	$ 14,928,986	$ 2,118,827

20. Income Taxes

(a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the combined Canadian federal and provincial statutory rate of approximately 28.6% (2011 – 30.5%) were as follows:

Years ended March 31,	2012	2011
(Loss) before income taxes:	16,338,523	4,847,015
Expected income tax (recovery)	4,678,000	1,478,000
Increase (decrease) resulting from:		
Share-based compensation	(342,000)	(337,000)
Share issue costs	3,997,000	-
Change in tax rates	(311,000)	158,000
Other	(2,949,250)	(463,000)
Change in tax assets not benefitted	(3,406,000)	-
Deferred income tax recovery	$ 1,666,750	$ 836,000

(b) Deferred Income Tax Balances

The tax effects of temporary differences that give rise to deferred income tax assets at March 31, 2012 and 2011 are as follows:

Years ended March 31,	2012	2011
Equipment	741,000	(47,000)
Non-capital losses	7,701,000	3,123,000
Mineral property interests	(6,235,000)	(1,663,000)
Capital losses	133,000	133,000
Share issue costs	3,292,000	680,000
Deferred tax benefits not recognized	(5,632,000)	(2,226,000)
Total deferred income tax	-	-

20. Income Taxes (Continued)

(c) Tax Loss Carryforwards

The Company has an undeducted share issue cost balance of approximately $12,163,000 (2011 - $2,425,000). The Company has approximately $3,275,000 (2011 – $3,000,000) and $32,971,000 (2011 – $25,200,000) of Canadian development expenses and Canadian exploration expenditures, respectively, at March 31, 2012 which, under certain circumstances, may be utilized to reduce taxable income of future years. As at March 31, 2012, the Company had available for deduction against future taxable income, non-capital losses in Canada of approximately $28,190,000 (2011 – $10,910,000) which expire as follows:

Year of Expiry	Amount
2027	$ 39,000
2028	886,000
2029	707,000
2030	4,035,000
2031	5,068,000
2032	17,455,000
	$ 28,190,000

21. 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 March 31, 2012 and 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 years ended March 31, 2012 and 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 March 31, 2012, 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 March 31, 2012, the Company had working capital of $60,595,877. Accordingly, management believes the Company is able to meet its current obligations as they fall due and has minimal liquidity risk.

21. 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 pre production 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 pre production revenue in its consolidated statement of financial position, 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 year ended March 31, 2012 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 $450,000 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 year ended March 31, 2012. 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.

22. Subsequent Events

(a) Subsequent to March 31, 2012, 55,000 stock options were exercised at an exercise price of $2.00 per share resulting in the issuance 55,000 common shares for total proceeds of $110,000.

23. 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 consolidated financial statements for the year ended March 31, 2012, the comparative information presented in these financial statements for the year ended March 31, 2011, 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 rehabilitation provisions 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 March 31, 2011.
- Reconciliation of consolidated statement of operations and comprehensive loss for the year ended March 31, 2011.

23. First Time Adoption of IFRS (continued)

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

	Note 23 Reference	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
Total current assets		48,975,845	-	48,975,845
Mineral property interests	(c), (f)	150,883,030	(39,584,978)	111,298,052
Long-term prepaid advances and deferred expenses		2,255,000	-	2,255,000
Property, plant and equipment	(f)	7,919,845	(2,084,994)	5,834,851
Total assets		$ 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
Total current liabilities		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)	-
Total liabilities		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)
Total shareholders' equity		175,609,529	(11,200,608)	164,408,921
Total liabilities and shareholders' equity		$ 210,033,720	$ (41,669,972)	$ 168,363,748

23. First Time Adoption of IFRS (continued)

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

	Note 23 Reference		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
Total current assets			9,964,538		-		9,964,538
Restricted cash			3,040,568		-		3,040,568
Mineral property interests	(a), (c), (f)		163,773,350		(34,580,076)		129,193,274
Long term prepaid advances			11,700,000		-		11,700,000
Property, plant and equipment	(f)		36,676,720		(6,295,498)		30,381,222
Total assets			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
Total current liabilities			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)		-
Rehabiliation provisions	(a)		1,892,943		837,356		2,730,299
Total liabilities			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)
Total shareholders' equity			174,436,210		(9,876,908)		164,559,302
Total liabilities and shareholders' equity		$	225,155,176	$	(40,875,574)	$	184,279,602

23. First Time Adoption of IFRS (continued)

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

	Note 23 Reference	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
Future income tax recovery	(b)	(832,407)	(3,593)	(836,000)
Net loss for the year		$ 3,971,650	$ 39,365	$ 4,011,015

23. First Time Adoption of IFRS (continued)

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

(a) Rehabilitation provision

Under Canadian GAAP, provisions for rehabilitation provision 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 rehabilitation provision included in the cost of mineral property interests. As such the Company has re-measured rehabilitation provision 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	April 1, 2010
Mineral property interests	$ 794,398	$ -
Rehabilitation provision	(837,356)	-
Adjustment to deficit	42,958	-

(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	April 1, 2010
Flow-through share premium	$ -	$ (836,000)
Share capital	836,000	836,000
Adjustment to deficit	(836,000)	-

23. First Time Adoption of IFRS (continued)

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

(c) Deferred 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 deferred income tax liability. An IFRS adjusting entry was processed on the April 1, 2010 statement of financial position to eliminate the deferred income tax entry accounted for on acquisition of mineral properties, reducing the carrying value of mineral property interests.

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 deferred income tax liabilities, certain deferred tax assets recognized and offset against the deferred income tax liability were reversed.

Impact on Consolidated Statement of Financial Position

	March 31, 2011	April 1, 2010
Mineral property interests	$(41,669,972)	$(41,669,972)
Deferred income taxes	31,836,022	31,305,364
Share capital	798,010	2,161,074
Adjustment to deficit	9,035,940	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	April 1, 2010
Stock option reserve	$(6,967,031)	$(7,656,587)
Contributed surplus	6,967,031	7,656,587
Adjustment to deficit	-	-

23. 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	April 1, 2010
Warrants reserve	$ (450,492)	$(1,146,876)
Warrant	450,492	1,146,876
Contributed surplus	6,438,629	6,438,629
Adjustment to deficit	(6,438,629)	(6,438,629)

(f) Capitalized stripping and dewatering
On transition to IFRS the Company elected to change its accounting policy for the treatment of capitalized stripping and dewatering whereby amounts recorded have been reallocated to mineral property interests. Previously, the Company's Canadian GAAP policy was to allocate such amounts to property, plant and equipment.

Impact on Consolidated Statement of Financial Position

	March 31, 2011	April 1, 2010
Property, plant and equipment	$ (6,295,498)	$(2,084,994)
Mineral property interests	6,295,498	2,084,994

24. Comparative Amounts

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year. These reclassifications have no material effect on the financial statements.