Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Consolidated Financial Statements

For the Years Ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

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For the Years Ended March 31, 2015 and 2014

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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, 2015 and 2014, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, 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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continued to incur losses during the year ended March 31, 2015, and had a cumulative deficit and a working capital deficiency as at March 31, 2015. In addition, the Company has initiated a restructuring process under the Companies' Creditors Arrangement Act. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
July 23, 2015

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

	March 31, 2015	March 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,421,593	$ 7,477,622
Restricted cash (Note 5)	-	2,847,958
Accounts receivable and prepaid expenses (Notes 11,16 and 24)	702,103	4,077,383
Inventories (Note 6)	-	2,109,158
Total current assets	7,123,696	16,512,121
Non-current assets		
Restricted cash (Note 5)	3,249,285	4,199,517
Prepaid expenses, advances and deferred expenses (Note 17)	150,000	20,576,625
Mineral property interests (Notes 7, 22 and 24)	1	82,738,091
Property, plant and equipment (Notes 8 and 24)	8,206,163	100,541,203
Total non-current assets	11,605,449	208,055,436
Total assets	$ 18,729,145	$ 224,567,557
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 11, 13(f), 13(g) and 18)	$ 36,075,610	$ 21,354,199
Repayable advance (Note 21(a))	31,772,086	-
Finance lease obligation (Note 14)	653,405	954,608
Rehabilitation provision (Note 15)	18,000	736,422
Rail construction advance (Note 21(c))	5,000,000	2,000,000
Other liabilities (Note 19)	21,548	129,283
Total current liabilities	73,540,649	25,174,512
Non-current liabilities		
Long-term payables (Note 25)	-	14,727,240
Finance lease obligation (Note 14)	698,024	1,351,429
Rehabilitation provision (Note 15)	3,175,025	3,199,104
Repayable advance (Note 21(a))	-	22,129,066
Total non-current liabilities	3,873,049	41,406,839
Total liabilities	77,413,698	66,581,351
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	393,524,694	393,524,694
Reserves (Note 10)	12,146,354	13,426,543
Deficit	(464,355,601)	(248,965,031)
Total shareholders' equity	(58,684,553)	157,986,206
Total liabilities and shareholders' equity	$ 18,729,145	$ 224,567,557

Going concern (Note 1)
Commitments and contingencies (Notes 13, 14, and 15)

The financial statements were approved by the Board of Directors on July 23, 2015, and signed on its behalf by:

Signed *"John F. Kearney"*
Director

Signed *"Gerald J. Gauthier"*
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

(Expressed in Canadian dollars)

	Year ended March 31, 2015	Year ended March 31, 2014
Revenue, net (Note 20)	$ -	$ 85,858,494
Operating expenses		
Mining	-	(26,896,542)
Processing	-	(36,542,280)
Site and camp operations	(5,161,061)	(18,561,936)
Rail and transportation	-	(57,142,585)
Royalties, social development and training	(1,618,252)	(4,045,064)
Depletion and depreciation	(2,497,539)	(33,598,148)
Loss before the undernoted	(9,276,852)	(90,928,061)
Corporate and administrative costs	$ (4,321,817)	$ (8,562,878)
Financing fee (Note 21(a))	(4,952,137)	-
Finance lease (Note 14)	(206,488)	(305,498)
Accretion (Note 15)	(46,772)	(52,720)
Foreign exchange loss	(4,746,868)	(1,715,626)
Put option contracts (Note 21(b))	-	(3,569,803)
Share-based payments (Notes 10(a) and 19)	107,735	(384,266)
Gain on sale of mineral property interest (Note 22)	5,000,000	9,591,104
Impairments (Note 24)	(198,320,018)	(9,475,438)
Interest earned	92,458	186,143
Loss before income taxes	(216,670,759)	(105,217,042)
Deferred income tax recovery (Note 27(a))	-	-
Net loss and comprehensive loss for the year	$ (216,670,759)	$ (105,217,042)
Net loss per share		
Basic	$ (1.72)	$ (0.83)
Diluted	$ (1.72)	$ (0.83)
Weighted average number of shares outstanding		
Basic	126,323,123	126,215,970
Diluted	126,323,123	126,215,970

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

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

	Year ended March 31, 2015	Year ended March 31, 2014
Cash provided by (used in) operating activities		
Net (loss) for the year	$ (216,670,759)	$ (105,217,042)
Items not involving cash		
Financing fee	4,952,137	-
Share-based payments	(107,735)	384,266
Depletion and depreciation	2,623,888	34,288,243
Accretion on rehabilitation provision	46,772	52,720
Interest on finance lease obligation	21,139	305,498
Accrued interest	(42,651)	(65,185)
Unrealized foreign exchange loss	4,746,868	1,457,275
Reduction of prepaid expense	-	5,873,266
Loss on put option contracts	-	3,569,803
Gain on sale of mineral property interest	(5,000,000)	(9,591,104)
Impairments	198,320,018	9,475,438
Changes in working capital	2,041,570	22,387,934
Cash (used in) operating activities	(9,068,753)	(37,078,888)
Cash provided by (used in) investing activities		
Proceeds on sale of mineral property interest (Notes 5 and 22)	5,000,000	30,000,000
Allocation (release) of sale proceeds to (from) restricted cash (Notes 5 and 22)	2,847,958	(2,847,958)
Increase in mineral property interests	(1,707,244)	(6,439,808)
Increase in property, plant and equipment	(1,145,127)	(13,851,566)
Decrease in non-current restricted cash	992,884	3,520,002
Cash provided by (used in) investing activities	5,988,471	10,380,670
Cash provided by (used in) financing activities		
Advance payment proceeds (Note 21(a))	-	35,858,738
(Repayment) of advance payment	-	(15,121,456)
Purchase of put options contracts (Note 21(b))	-	(3,569,803)
Proceeds from rail construction advance (Note 21(c))	3,000,000	2,000,000
Exercise of deferred share units	-	(10,358)
Repayment of finance lease obligation (Note 14)	(975,747)	(1,207,855)
Cash provided by financing activities	2,024,253	17,949,266
Change in cash and cash equivalents	(1,056,029)	(8,748,952)
Cash and cash equivalents, beginning of year	7,477,622	16,226,574
Cash and cash equivalents, end of year	6,421,593	$ 7,477,622
Cash and cash equivalents consist of:		
Cash	$ 5,773,855	$ 112,432
Cash equivalents	647,738	7,365,190
	$ 6,421,593	$ 7,477,622
Supplemental disclosure of cash flow information		
Change in accrued non-current assets	$ (200,669)	$ 5,208,111
Change in accrued current assets	-	(1,385,525)
Rehabilitation provision charged to mineral property interests	(698,871)	911,336
Depreciation included in corporate and administrative costs	126,349	689,794

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

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

	Share Capital		Reserves: Warrants		Reserves: Stock Options		Deficit	Shareholders' Equity
	Number	Amount	Number	Amount	Number	Amount	Amount	Total
Balance, March 31, 2013	126,200,807	$ 393,500,526	16,505,000	$ 6,552,450	1,716,875	$ 9,699,202	$ (146,959,483)	$ 262,792,695
Exercise of deferred share units	122,316	24,168	-	-	-	-	-	24,168
Expiry of warrants	-	-	(662,500)	(1,172,625)	-	-	1,172,625	-
Expiry of vested options	-	-	-	-	(441,172)	(2,038,869)	2,038,869	-
Forfeiture of unvested options	-	-	-	-	(46,328)	(35,024)	-	(35,024)
Share-based payments	-	-	-	-	-	421,409	-	421,409
Loss for the year	-	-	-	-	-	-	(105,217,042)	(105,217,042)
Balance, March 31, 2014	126,323,123	$ 393,524,694	15,842,500	$ 5,379,825	1,229,375	$ 8,046,718	$ (248,965,031)	$ 157,986,206
Expiry of warrants	-	-	(2,042,500)	(756,825)	-	-	756,825	-
Expiry of vested options	-	-	-	-	(199,375)	(523,364)	523,364	-
Loss for the year	-	-	-	-	-	-	(216,670,759)	(216,670,759)
Balance, March 31, 2015	126,323,123	$ 393,524,694	13,800,000	$ 4,623,000	1,030,000	$ 7,523,354	$ (464,355,601)	$ (58,684,553)

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

1. Nature of Operations, Financial Restructuring and Going Concern

Labrador Iron Mines Holdings Limited (the "Company") is a mineral resource company engaged in the exploration, development and mining of iron ore projects in Canada. The Company's primary mineral property interests are iron ore projects in western Labrador and northeastern Quebec, near the town of Schefferville, Quebec (collectively, the "Schefferville Projects").

The Company's mining operations for the fiscal years ended March 31, 2012, 2013 and 2014 were carried out on a seasonal basis, from approximately the beginning of April until approximately the end of November each year, with a planned annual winter shutdown from approximately December to approximately March.

The Company did not conduct mining operations, other than site maintenance and standby activities, during the year ended March 31, 2015, due to a combination of the prevailing low price of iron ore and an assessment of the economics of the remaining resources of its James Mine and other Stage 1 deposits. In view of the prevailing iron ore price outlook, and based on the Company's experience over its three previous operating seasons, the Company made a strategic shift in corporate focus during 2014 toward establishing a lower cost operating framework, while concurrently seeking additional capital investment and working capital.

For the fiscal year beginning April 1, 2015, the Company intends to continue to focus on restructuring its liabilities and major contracts and securing additional development financing, prior to resuming mining operations when market conditions improve. Should the Company be successful in completing its restructuring and financing efforts, the Company intends to commence development of its Houston Project.

The Company's head office is located at 220 Bay Street, Suite 1200, 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 exploration, development and mining will result in profitable mining operations. The recoverability of the carrying value of assets and the Company's continued existence are dependent upon the preservation of the Company's interests in its 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 non-core interests on an advantageous basis. Changes in future conditions could require material impairment of the carrying values of the Company's assets.

Although the Company has taken steps to verify title to its mineral property interests, 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.

Financial Restructuring

Subsequent to March 31, 2015, on April 2, 2015, the Company instituted proceedings in the Ontario Superior Court of Justice (the "Court") for a financial restructuring by means of a plan of compromise or arrangement under the *Companies' Creditors Arrangement Act* ("CCAA"). The Company's subsidiaries Centre Ferro Ltd. and Labrail Inc. have not been not included in the CCAA proceedings.

The Company instituted proceedings under the CCAA to provide an opportunity for the orderly restructuring of the Company's business and financial affairs, so as to enable the Company to emerge with a viable business in the most favourable position to secure additional development financing to proceed with the development of the Company's Houston Project.

The Court Order, as amended and extended on April 30, 2015, provides creditor protection continuing until July 31, 2015, subject to further amendment and extension and grants a stay which generally precludes enforcement or collection action being taken against the Company with respect to pre-CCAA liabilities or contracts. The Order is designed to stabilize operations and business relationships with contractors, suppliers and creditors and to provide an opportunity for the Company to negotiate a settlement of liabilities and a restructuring of major contracts. Should such negotiations be successful, a proposed plan of arrangement to settle liabilities will be presented to the Company's creditors. The plan of arrangement must be approved by the Company's creditors and the Court prior to it being given effect. Such proposed plan of arrangement has not yet been presented to creditors.

1. Nature of Operations, Financial Restructuring and Going Concern (continued)

Financial Restructuring (continued)

The Court order in the CCAA proceedings grants the Company the authority to carry on business in a manner consistent with the preservation of its business and property. Among other things, the Company is authorized and empowered to continue corporate and site standby activities and to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons considered necessary by the Company in the ordinary course of business.

These consolidated financial statements do not give effect to any adjustments which may be required as a result of the Company's CCAA filing, which occurred subsequent to March 31, 2015. Such adjustments, if any, will be reflected in the consolidated financial statements of a later period.

Going Concern

During the year ended March 31, 2015, the Company reported a net loss of $216,670,759 (2014 - $105,217,042), negative cash flows from operations of $9,068,753 (2014 - $37,078,888) and an ending working capital deficit of $66,416,953 (2014 - $8,662,391).

As at March 31, 2015, the Company had a very significant working capital deficit and had not met certain financial obligations. As a result of the Company's continuing losses, negative operating cash flows and significant working capital deficit, the Company instituted proceedings for a financial restructuring by means of a plan of compromise or arrangement under the CCAA on April 2, 2015.

Notwithstanding the negative financial results and ending working capital deficit for the year ended March 31, 2015, the Company believes it has sufficient cash resources to complete the CCAA process and continue its corporate and site standby activities over the next 12 months. This belief is based on the Company's expectation that it will successfully complete a settlement of the Company's liabilities and satisfactorily restructure its major contracts by means of a plan of compromise or arrangement. Accordingly, the consolidated financial statements for the year ended March 31, 2015 have been prepared on a going concern basis, using the historical cost convention.

The Company needs to secure additional financing and complete a financial restructuring in order to continue as a going concern. Both a refinancing and financial restructuring are required to manage the Company's working capital deficit and to fund continuing operations, planned development programs and corporate administration.

A successful financial restructuring within the CCAA process would favourably position the Company to secure additional development financing for the Houston Project. The Company's ability to secure such additional development financing will depend on several factors, including, among other things, a successful settlement of the Company's liabilities, a satisfactory restructuring of the Company's major contracts and an improvement in iron ore market conditions.

While the Company does not believe its ability to continue its corporate and site standby activities over the next 12 months is dependent on securing additional financing, the Company's ability to develop the Houston Project is dependent on completing such additional development financing. Even if the Company is successful in completing its required settlement of liabilities and restructuring of major contracts, if the Company is unable to obtain additional development financing on a timely basis or on reasonable or acceptable terms, then the Company will be unable to pursue development of its Houston Project.

There are no assurances that the Company will be successful in completing its required settlement of liabilities under the CCAA process or otherwise. If the Company is unable to successfully complete its required settlement of liabilities and restructuring of major contracts, the Company could be required to curtail its operations and discontinue as a going concern. These material uncertainties cause significant doubt about the Company's ability to continue as a going concern. If the going concern assumption were not appropriate, adjustments would be necessary to the carrying values of the assets and liabilities, reported revenues and expenses, and statement of financial position classifications in these consolidated financial statements. Such adjustments could be material.

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

Notwithstanding that the Company instituted proceedings for a financial restructuring under CCAA subsequent to March 31, 2015, these consolidated financial statements were prepared on a going concern basis, under the historical cost convention. Refer to Note 1. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

There have been no changes to the accounting policies or basis of preparation of the consolidated financial statements of the Company as a result of the filing under CCAA subsequent to March 31, 2015.

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:

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. External sources of information include technical reports and arm's length mineral property transaction values. External sources of information also include changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of 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 pre-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.

Cash generating units
Cash generating units ("CGUs") represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets of the Company. This generally results in the Company evaluating its non-financial assets on a geographical and operational basis. The Company generally considers its Schefferville Projects to represent one CGU, as the Schefferville Projects are in close geographical proximity to each other and all share common management, rail, port, processing and mine support infrastructure. During the years ended March 31, 2014 and March 31, 2015 the Company completed impairment assessments of its mineral property interests based on a combination of factors including net present value and arms-length transaction value methodologies. Refer to Notes 7 and 24.

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

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.

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.

Deferral of stripping and dewatering costs

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

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

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

Inventory valuation

Saleable product and ore at site are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of inventories include estimates of the ore, estimates of the iron contained in the ore, assumptions of the amount of iron ore that is expected to be saleable and assumption of the iron price expected to be realized when the inventories are sold.

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

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

Commencement of commercial production (continued)

generating sustainable positive cash flow, the working effectiveness of the site processing plant, whether marketing arrangements for the product are in place, whether the product is of sufficient quantity to be sold, whether there is a sustainable level of production input available including power, water, diesel, etc. and whether the necessary permits are in place to allow continuous operations. The consolidated financial statements of the Company are prepared on the basis that the Company's producing mine entered commercial production for accounting purposes effective April 1, 2012.

Going concern
Refer to Note 1.

Contingencies
Refer to Note 13.

4. Significant accounting policies

Basis of consolidation

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

Subsidiaries

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

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 operations 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 has financed 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.

4. Significant accounting policies (continued)

Borrowing costs

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

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

As at March 31, 2015 and March 31, 2014, this policy is only applicable to the finance lease obligation.

Interest earned

Interest earned is recognized when it is probable that the economic benefits will flow to the Company and the amount of interest can be measured reliably. Interest 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 and directors. The fair value of stock options is estimated 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 payments are 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.

Deferred share units

Directors and key senior employees of the Company may receive as partial compensation deferred share units ("DSUs") under the terms of the Company's deferred share unit plan. The fair value of DSUs at the time award or redemption, as applicable, is determined with reference to the weighted average trading price of the Company's common shares over the five trading days immediately preceding the date of award or redemption, as applicable. The fair value of the DSUs is recognized as a share-based payment expense with a corresponding increase in liabilities, over the period from the grant date to settlement date. The fair value of the DSUs is marked to the quoted market price of the Company's common shares at each reporting date with a corresponding change in the consolidated statement of operations and comprehensive loss.

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 operations, 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.

4. Significant accounting policies (continued)

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 operations 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.

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

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 operations 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.

At March 31, 2015, 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.

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.

4. Significant accounting policies (continued)

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

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 and comprehensive loss 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 mineral property interests 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 and comprehensive loss 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 or producing mines as applicable. 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 expenditures, mineral property interests, producing mines 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 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 and operational 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 and comprehensive loss 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 and comprehensive loss.

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, restricted cash and accounts receivable. 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 and comprehensive loss.

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.

4. Significant accounting policies (continued)

Accounts receivable

Accounts receivable 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 and comprehensive loss. The losses arising from impairment are recognized in the consolidated statement of operations and comprehensive loss.

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, rail construction advance and other liabilities. The Company did not have any derivative instruments at March 31, 2015 and 2014.

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.

4. Significant accounting policies (continued)

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 operations, 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 and comprehensive loss.

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.

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.

4. Significant accounting policies (continued)

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 and comprehensive loss, 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.

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 and comprehensive loss 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 and comprehensive loss.

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

The Company recognizes revenue 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, 2015 and March 31, 2014 have been excluded from diluted loss per share.

4. Significant accounting policies (continued)

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of operations and comprehensive loss 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.

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 and comprehensive loss 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 adopted

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Adoption of this amendment had no significant impact on the Company's consolidated financial statements.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. Adoption of this amendment had no significant impact on the Company's consolidated financial statements.

IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. Adoption of this amendment had no significant impact on the Company's consolidated financial statements.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

4. Significant accounting policies (continued)

Recent accounting pronouncements (continued)

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

IFRS 15 - Revenue From Contracts With Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

5. Restricted Cash

As part of the closing of the September 2013 Howse Property Transaction (as defined in Note 7), $5,000,000 of the proceeds was contributed to the Operator for the exploration of the Howse Property and $1,500,000 of the proceeds was earmarked by the Company for modification and upgrading of the Silver Yards rail siding. As at March 31, 2015 the full amount of this September 2013 Howse Property Transaction related restricted cash had been released and expended as required.

Current restricted cash as at March 31, 2014 consists of restricted cash proceeds from the September 2013 Howse Property Transaction.

Non-current restricted cash consists mainly of guaranteed investment certificates and term deposits assigned by the Company to its bank as security for letters of credit issued to government regulatory authorities for rehabilitation obligations.

	March 31, 2015	March 31, 2014
	$	$
Restricted cash from September 2013 Howse Property Transaction closing	-	2,847,958
Total – current	-	2,847,958
Security for letters of credit for rehabilitation obligations	3,249,285	4,199,517
Total – non-current	3,249,285	4,199,517

6. Inventories

	March 31, 2015	March 31, 2014
	$	$
Ore at site	-	1,859,158
Consumables	-	250,000
Total	-	2,109,158

Ore at site consists of run of mine ore at site, carried at cost. Consumables consists of fuel for various activities at site, carried at cost. Refer to Note 24.

7. Mineral Property Interests

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

In September 2013, the Company entered into an agreement with Tata Steel Minerals Canada Ltd. (“TSMC”) for the exploration and development of the Company’s Stage 3 Howse Property (the “September 2013 Howse Property Transaction”). Under the terms of the agreement, Howse Minerals Limited (“HML”), a wholly owned subsidiary of TSMC, acquired an initial 51% participating interest in the Howse Property for a total cash consideration of $30,000,000. As part of the agreement, the Company agreed to use $5,000,000 of the proceeds to conduct an exploration program on the Howse Property. As at March 31, 2015, the Company had completed its full $5,000,000 exploration program on the Howse Property.

On March 31, 2015, the Company completed the sale of its remaining minority interest of the Howse Property to TSMC for total cash consideration of $5,000,000 (the “March 2015 Howse Property Transaction”).

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

Six mining claims in Quebec are held subject to a royalty of 3% of the selling price FOB port of iron ore shipped and sold from the properties, subject to such royalty being no greater than US$1.50 per tonne.

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

During the years ended March 31, 2014 and 2015, the carrying value of the Company’s mineral property interests was impaired based on an assessment using prevailing economic conditions and existing commercial contract terms. Refer to Note 24.

The reclamation balance included within mineral property interests represents amounts initially recorded to correspond with the rehabilitation provisions. This asset amount is being amortized over the estimated useful life of the asset to which it relates.

7. Mineral Property Interests (continued)

The Company's mineral property assets are as follows:

Cost at:	Producing mine $	Mineral property interests $	Reclamation balance $	Total $
March 31, 2013	30,774,932	92,756,004	2,832,299	126,363,235
Additions	2,852,537	6,243,626	911,336	10,007,499
Transfer to mineral property interests	(3,319,501)	3,319,501	-	-
Disposal of interest in Howse Property	-	(20,408,896)	-	(20,408,896)
Impairments	(5,170,905)	-	(293,300)	(5,464,205)
March 31, 2014	25,137,063	81,910,235	3,450,335	110,497,633
Additions	-	1,810,458	-	1,810,458
Adjustment to reclamation balance	-	-	(698,871)	(698,871)
Impairments	-	(83,720,692)	(2,751,464)	(86,472,156)
March 31, 2015	25,137,063	1	-	25,137,064
Accumulated depletion and depreciation				
March 31, 2013	(19,736,693)	-	(729,150)	(20,465,843)
Depletion	(5,400,370)	-	-	(5,400,370)
Depreciation	-	-	(1,893,329)	(1,893,329)
March 31, 2014	(25,137,063)	-	(2,622,479)	(27,759,542)
Depreciation	-	-	(75,199)	(75,199)
Impairments	-	-	2,697,678	2,697,678
March 31, 2015	(25,137,063)	-	-	(25,137,063)
Net book value at:				
March 31, 2014	-	81,910,235	827,856	82,738,091
March 31, 2015	-	1	-	1

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

8. Property, Plant and Equipment

Cost at:	Buildings and mine camp $	Office equipment $	Transportation infrastructure and equipment $	Beneficiation plant and equipment $	Total $
March 31, 2013	10,374,160	1,162,760	32,536,366	74,083,295	118,156,581
Additions	645,840	22,114	3,227,792	12,507,575	16,403,321
March 31, 2014	11,020,000	1,184,874	35,764,158	86,590,870	134,559,902
Additions	130,000	-	620,122	91,122	841,244
Impairments	(10,172,899)	(1,184,873)	(25,813,037)	(86,681,991)	(123,852,800)
March 31, 2015	977,101	1	10,571,243	1	11,548,346
Accumulated Depreciation at:					
March 31, 2013	2,761,917	434,187	4,989,063	1,088,047	9,273,214
Depreciation	1,844,277	223,300	3,784,602	18,893,306	24,745,485
March 31, 2014	4,606,194	657,487	8,773,665	19,981,353	34,018,699
Depreciation	952,081	79,108	926,195	108,570	2,065,954
Impairments	(5,287,335)	(736,595)	(6,628,617)	(20,089,923)	(32,742,470)
March 31, 2015	270,940	-	3,071,243	-	3,342,183
Net Book Value at:					
March 31, 2014	6,413,806	527,387	26,990,493	66,609,517	100,541,203
March 31, 2015	706,161	1	7,500,000	1	8,206,163

Property, plant and equipment at March 31, 2015 includes a balance with a carrying value of $7,500,000 consisting of railcars and a rail track which are not being depreciated as the assets are not in use (March 31, 2014 - $9,665,622).

Buildings and mine camp at March 31, 2015 include an asset under finance lease with a carrying value of $Nil (March 31, 2014 - $2,280,013).

The Port of Sept-Iles holds a security interest in the Company’s fleet of rail cars.

Refer to Note 24.

9. Share Capital

Authorized
Unlimited common shares, no par value

Issued	Shares #	Amount $
Balance March 31, 2013	126,200,807	393,500,526
Exercise of deferred share units	122,316	24,168
Balance March 31, 2014 and 2015	126,323,123	393,524,694

The Company voluntarily delisted its common shares from the Toronto Stock Exchange effective February 23, 2015.

10. 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.

A summary of the Company's options at March 31, 2015 and March 31, 2014 and the changes for the years then ended is presented below:

	Year ended March 31, 2015		Year ended March 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,229,375	$ 4.83	1,716,875	$ 5.17
Expiry of vested options	(199,375)	4.32	(441,172)	6.41
Forfeiture of unvested options	-	-	(46,328)	3.69
Outstanding, end of year	1,030,000	$ 4.86	1,229,375	$ 4.83

10. Reserves (continued)

(a) Stock options (continued)

The following table sets out details of the stock options outstanding at March 31, 2015:

Options Outstanding and Exercisable			
Number	Weighted Average Exercise Price	Expiry Date	Grant Date Fair Value
200,000	$ 6.27	09/14/2015	$ 966,000
100,000	6.80	09/22/2016	509,000
40,000	6.81	11/10/2016	195,600
200,000	6.35	11/30/2016	924,000
20,000	6.20	02/09/2017	91,400
470,000	3.00	07/02/2017	860,100
1,030,000	$ 4.86		$ 3,546,100

There were no options granted during the year ended March 31, 2015 (March 31, 2014 – Nil).

As at March 31, 2015, all stock options outstanding are fully vested and exercisable.

The weighted average contractual life remaining for outstanding and exercisable options at March 31, 2015 is 1.7 years (2014 – 2.7 years).

(b) Warrants

A summary of the Company's share purchase warrants at March 31, 2015 and March 31, 2014 and the changes for the years then ended is presented below:

	Year ended March 31, 2015		Year ended March 31, 2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	15,842,500	$ 1.31	16,505,000	$ 1.49
Expired	(2,042,500)	1.03	(662,500)	5.30
Outstanding, end of year	13,800,000	$ 1.35	15,842,500	$ 1.31

The Company voluntarily delisted its share purchase warrants from the Toronto Stock Exchange effective February 23, 2015.

10. Reserves (continued)

(c) Warrants (continued)

As at March 31, 2015, the Company had 13,800,000 outstanding exercisable warrants (March 31, 2014 – 15,842,500), with a weighted average remaining contractual life of 0.9 years (March 31, 2014 – 1.7 years), as follows:

Warrants Outstanding and Exercisable			
Number	Exercise Price	Expiry Date	Grant Date Fair Value
13,800,000	$ 1.35	12/02/2016	$ 4,623,000

(b) Reserves

A summary of the reserves account is presented below:

Balance, March 31, 2013	$ 16,251,652
Expiry of vested options	(2,038,869)
Forfeiture of unvested options	(35,024)
Expiry of warrants	(1,172,625)
Vesting of options	421,409
Balance, March 31, 2014	$ 13,426,543
Expiry of vested options	(523,364)
Expiry of warrants	(756,825)
Balance, March 31, 2015	$ 12,146,354

11. Related Party Transactions and Compensation of Key Management Personnel

During the year ended March 31, 2015 the Company recovered $120,060 (2014 - $110,739) in respect of office rent from corporations with common directors and/or officers. At March 31, 2015, $35,400 (2014 - $48,791) remained receivable from these related companies in respect of office rent.

During the year ended March 31, 2015, the Company incurred management compensation costs payable to companies with common directors and/or officers in the amount of $200,000 (2014 - $548,000). At March 31, 2015, $653,084 (2014 - $620,587) in management compensation remained payable to these related companies. These amounts payable are unsecured and non-interest bearing with no fixed terms of repayment.

During the year ended March 31, 2015, the Company incurred legal fees in respect of services provided by a professional corporation controlled by an officer in the amount of $171,380 (2014 - $122,040). At March 31, 2015, $41,120 (2014 - $36,960) remained payable to this related party for legal fees. This amount payable is unsecured and non-interest bearing with no fixed terms of repayment.

Compensation of key management personnel of the Company

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

	Year ended March 31, 2015	Year ended March 31, 2014
Short-term compensation (i)	$ 1,099,171	$ 1,363,296
Share-based payments (ii)	-	391,939
	$ 1,099,171	$ 1,755,235

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

(ii) Share-based payments represent the amount recorded by the Company for vested stock options and DSUs issued during the period 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 management is determined by the compensation committee, having regard to the performance of individuals and market trends.

12. 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 years ended March 31, 2015 and 2014. The Company is not subject to externally imposed capital requirements.

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. 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, develop and produce from 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.

13. Commitments and Contingencies

(a) At March 31, 2015 the Company is committed to a minimum amount of rental payments under a long-term operating lease for its head office premises, which expires on August 31, 2019. As at March 31, 2015, minimum rental commitments remaining under this lease are as follows:

Not later than 1 year	$ 519,180
Later than 1 year, not later than 5 years	1,773,865
	$ 2,293,045

Refer to Note 28(a).

(b) The Company has contracts for the supply of locomotives and the use of third party rail and port infrastructure. The rail contracts include provisions for capital contributions by the Company, which will be credited against future tariffs. The rail contracts also include provisions for minimum future haulage volumes and tariffs. The port contract includes a provision for a buy-in payment, which will be credited against future shipping fees. The port contract also includes provisions for minimum future shipping volumes and fees. The Company has also agreed to certain community development and training contributions to various First Nations communities. As at March 31, 2015, future commitments relating to rail, port and First Nations agreements, net of credits of $30,968,625 against future tariffs and fees, are as follows:

Not later than 1 year	$ 59,276,000
Later than 1 year, not later than 5 years	84,367,625
Later than 5 years	25,874,250
	$ 169,517,875

The Company's position is that the above contracts have been suspended and that the future commitments will not be enforced. As a result, no liabilities relating to these contracts have been recognized in these consolidated financial statements with respect to the year ended March 31, 2015. It is possible that certain counterparties may have a different interpretation of whether such contracts are in fact suspended, the enforceability and effective timing of such suspension, or whether such suspension triggers any claim for damages. Refer to Note 13(f).

13. Commitments and Contingencies (continued)

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

(d) Refer to Note 14 for finance lease obligation.

(e) The Company has indemnified the subscribers of flow-through shares against any tax related amounts that may become payable as a result of the Company not making eligible expenditures.

(f) Accounts payable and accrued liabilities includes an accrual for the estimated probable amount due with respect to the Company's major commercial contracts, as estimated by the Company.

The Company's position is that certain of its contracts have been suspended. To the extent such contract suspension is informal, the Company believes the conduct of the parties supports such suspension. It is possible that certain counterparties may have a different interpretation of whether such contracts are in fact suspended, the enforceability and effective timing of such suspension, or whether such suspension triggers any claim for damages. The Company's estimate of the probable amount due under such suspended contracts is based on the Company's interpretation of the timing, enforceability and financial consequences of such suspended contracts.

The estimated probable amount due with respect to the Company's major contracts involves significant judgment and is based on the Company's interpretation of its contracts, including an assessment of the enforceability of contract terms. It is possible that counterparties to some of the Company's major contracts may, in the future, seek claims for damages or other related relief in excess of the amount accrued by the Company.

In the event that a counterparty seeks a claim for damages or other related relief in the future in excess of the amount accrued, and that such action is successful either through litigation or a negotiated settlement, an additional possible liability would need to be accrued by the Company in a future reporting period. In each case the existence and amount of any additional possible liability will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Company.

The Court Order under the Company's CCAA proceedings, as amended and extended on April 30, 2015, provides creditor protection continuing until July 31, 2015, subject to further amendment and extension, and grants a stay which generally precludes enforcement or collection action being taken against the Company with respect to pre-CCAA liabilities or contracts. Refer to Notes 1 and 28(a).

The Company believes that it is possible that future changes to its estimates of accrued liabilities could be material. The Company is not able to estimate a range of possible amounts in excess of the amount accrued because there are significant factual and legal issues to be resolved. The Company has not yet undertaken a proof of claims process under the CCAA court proceedings.

(g) The Company has been served with various legal actions or demand notices with respect to amounts claimed due under certain of the Company's contracts. The Company has recognized in accounts payable and accrued liabilities its best estimate of the probable amount due with respect to such legal actions or demand notices. To the extent the Company believes amounts claimed under the legal actions or demand notices are without merit, the Company has not recognized such portions as a liability. Such unrecognized amounts have been treated as contingent liabilities. As at March 31, 2015, the aggregate amount of contingent liabilities with respect to various legal actions or demand notices is approximately $8.6 million.

14. Finance Lease Obligation

The Company entered into finance lease agreements for a mine camp and a mine camp expansion during the years ended March 31, 2011 and March 31, 2013 respectively. The Company used an incremental borrowing rate of 11% in determining the value of the finance lease obligation.

	Year ended March 31, 2015	Year ended March 31, 2014
Balance, beginning of year	$ 2,306,037	$ 3,161,636
Less: payments made during the year	(1,161,096)	(1,161,097)
Add: Interest accretion	206,488	305,498
Balance, end of year	1,351,429	2,306,037
Less: current portion, end of year	(653,405)	(954,608)
Non-current portion, end of year	$ 698,024	$ 1,351,429

As at March 31, 2015, future actual minimum lease payments under the Camp lease agreement are as follows:

Not later than 1 year	$ 661,096
Later than 1 year, not later than 5 years	654,612
	$ 1,315,708

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

15. 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. During the year ended March 31, 2015 the estimate of the cost associated with the eventual closure of the Comapany's mining operations and removal of tangible assets from the Company's mine sites was reduced, based on updated closure plans and consultation with applicable regulatory authorities.

At March 31, 2015, the total undiscounted amount of the Company's rehabilitation provision is $3,151,967 and is expected to be incurred between calendar 2015 and 2031. The present value of the rehabilitation provision has been estimated at $3,193,025 at March 31, 2015 using a discount rate ranging from 1.07% to 2.0% and a long-term inflation rate of approximately 1.2%.

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

	Year ended March 31, 2015	Year ended March 31, 2014
Balance, beginning of year	$ 3,935,526	$ 2,971,469
Adjustment to provision	(789,273)	911,337
Accretion expense	46,772	52,720
Balance, end of year	3,193,025	3,935,526
Less: current portion, end of year	(18,000)	(736,422)
Non-current portion, end of year	$ 3,175,025	$ 3,199,104

16. Accounts Receivable and Prepaid Expenses

	March 31, 2015	March 31, 2014
Accounts receivable	$ 188,046	$ 650,646
Refundable taxes	15,792	1,603,337
Prepaid expenses	498,265	1,823,400
	$ 702,103	$ 4,077,383

17. Prepaid Expenses, Advances and Deferred Expenses

Prepaid expenses, advances and deferred expenses consist of long term deposits, prepaid royalties, prepaid tariffs and infrastructure access advances, which in aggregate total $150,000 at March 31, 2015 (2014 - $20,576,625). Refer to Note 24.

18. Accounts Payable and Accrued Liabilities

	March 31, 2015	March 31, 2014
Trade payables and accruals	$ 35,989,057	$ 19,487,394
Sales taxes and statutory liabilities	86,553	1,866,815
	$ 36,075,610	$ 21,354,199

19. Other Liabilities

Deferred Share Units

On April 1, 2012 the Company adopted a Deferred Share Unit ("DSU") Plan under which DSUs may be granted by the Board at the end of each quarter to certain directors and key senior employees. The performance period of each DSU commences on the grant date and expires on the termination date of the participant. The termination date is when the participant ceases to be a director or key senior employee of the Company. On redemption each unit entitles the participant to receive, at the Company's option, (i) a cash payment; or (ii) shares from treasury equal to the market value of the Company's shares on the date of redemption; or (iii) a cash payment by the Company used to purchase shares on the open market on behalf of the participant.

A summary of deferred share units issued is presented below:

	Number	Fair value
Balance, March 31, 2013	259,264	$ 165,929
Deferred share units issued	992,835	253,870
Deferred share units exercised	(174,737)	(34,526)
Revaluation	-	(255,990)
Balance, March 31, 2014	1,077,362	129,283
Revaluation	-	(107,735)
Balance, March 31, 2015	1,077,362	$ 21,548

Revaluation represents a mark-to-market adjustment based on the closing value of the Company's shares.

20. Revenue, net

Revenue from mining operations recognized by the Company is calculated based on the actual realized price (i.e. CFR China price plus or minus value-in-use adjustments less sales discounts) of a shipment of iron ore resold in China, less shipping costs and the Iron Ore Company of Canada's ("IOC") participation, which includes product handling, ship loading and sales costs. During the year ended March 31, 2014 the Company sold all of its iron ore product to IOC at Sept-Iles, Quebec, which product was resold in China by way of an off-take arrangement with RBRG Trading (UK) Ltd. ("RBR"). The Company had no sales of iron ore during the year ended March 31, 2015.

21. Repayable Advance and Other Financial Assets and Liabilities

(a) Repayable advance

In May 2013, the Company entered into an arrangement with RBR, pursuant to which RBR provided a repayable advance of $37,520,522 (US$35,000,000) against the sale of future iron ore production by the Company. The repayable advance was intended to be credited against future sales in equal installments coinciding with the timing of seventeen shipments scheduled from August 2013 until December 2014. As at March 31, 2014 and 2015, $15,121,456 (US$14,406,000) of the repayable advance had been credited against seven shipments completed in 2013, leaving a remaining balance of $22,129,066 (US$20,594,000), prior to giving effect to additional year-end foreign exchange adjustment and any amounts claimed for default. A financing fee of $4,952,137 (US$4,456,924), prior to giving effect to an additional year-end foreign exchange adjustment, was claimed in the year ended March 31, 2015 as a result of the Company's failure to comply with minimum delivery obligations. An additional claim was made for discounts as a result of delayed deliveries and is treated as a contingent liability. The Company is discussing these claims and a restructuring of repayable advance arrangements with RBR.

The repayable advance is recognized as a current liability on the statement of financial position.

	March 31, 2015	March 31, 2014
Balance, beginning of year	$ 22,129,066	$ -
Repayable advance received	-	37,520,522
Repayable advance repaid	-	(15,121,456)
Financing fee	4,952,137	-
Foreign exchange adjustment	3,963,980	(270,000)
Deferred arrangement fee impairment	726,903	-
Balance, end of year	$ 31,772,086	$ 22,129,066

(b) Put option contracts

The Company entered into a limited price protection plan in which the Company purchased put options on a total of 825,000 tonnes of iron ore over the period August to October 2013, exercisable at a CFR China exercise price of US$105 per tonne. The Company also sold matching put options at a CFR China exercise price of US$90 per tonne on a total of 825,000 tonnes of iron ore over the same period.

The iron ore put option contracts purchased during the year ended March 31, 2014 expired unexercised. The Company did not purchase any iron ore contracts during the year ended March 31, 2015.

	March 31, 2015	March 31, 2014
Cost of put options	$ -	$ 3,569,803
Expiry of options	-	(3,569,803)
Balance, end of year	$ -	$ -

(c) Rail construction advance

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

22. Sale of Mineral Property Interest

In the year ended March 31, 2014, the Company completed the September 2013 Howse Property Transaction, which was the sale of a majority interest in the Howse Property to TSMC. In the year ended March 31, 2015, the Company completed the March 2015 Howse Property Transaction, which was the sale of the Company's remaining minority interest in the Howse Property to TSMC. Refer to Notes 7 and 24.

	Year ended March 31, 2015	Year ended March 31, 2014
Proceeds of sale	$ 5,000,000	$ 30,000,000
Carrying value of mineral interest sold	-	(20,408,896)
Gain on sale	$ 5,000,000	$ 9,591,104

23. Financial Instruments

Fair Value Hierarchy

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

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

At March 31, 2015 and March 31, 2014, the Company's financial instruments that are carried at fair value, consisting of cash equivalents, have been classified as Level 1 within the fair value hierarchy.

Fair value

Fair value estimates are made at the financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, finance lease obligation, rail construction advance 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, 2015 and 2014.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and equivalents and accounts 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, 2015, the Company's cash and cash equivalents were held in deposits and in an investment grade short term money market fund at a major Canadian bank. Accounts receivable consist of amounts owing from the sale of iron ore and sales tax recoverable from the Government of Canada. The carrying amount of financial assets represents the Company's maximum credit exposure.

23. Financial Instruments (continued)

Financial risk management (continued)

ii) Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they come due. As at March 31, 2015, the Company had a working capital deficit of $66,416,953. Notwithstanding the ending working capital deficit, the Company believes it will be able to settle its current obligations based on the Company's expectation that it will successfully complete the settlement of the Company's liabilities under the CCAA process commenced on April 2, 2015. Refer to Note 1.

iii) Foreign currency risk

The majority of the Company's cash flows and financial assets and liabilities, other than the advance payment underlying deferred revenue, 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. The advance payment underlying deferred revenue is denominated in U.S. dollars. Refer to Note 21(a).

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

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

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

iv) Interest rate risk

Included in net loss for the year ended March 31, 2015 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the year ended March 31, 2015 had been 100 basis points higher (lower) then the loss would have been approximately $47,000 lower (higher). The Company does not have any variable rate debt obligations which expose it to interest rate risk.

v) Commodity price risk

The future profitability of the Company is directly related to the market price of iron ore. Fluctuations in the iron ore price could create volatility in the Company's future cash flows and the future reported amounts for sales in its consolidated statement of operations and comprehensive loss, both on a period-to-period basis and compared with operating budgets and forecasts. In addition, a drop in actual iron ore prices or expected long-term iron ore prices could impact the Company's ability to raise additional financing, if required, to complete the development of its properties, and development could also be halted if iron ore prices fall below expected operating costs. If the iron ore price throughout the year ended March 31, 2015 had been $10 higher (lower) then revenue would have been $Nil higher (lower) (2014 - $16,100,000 higher (lower)).

24. Impairments

	March 31, 2015	March 31, 2014
Accounts receivable and prepaid expenses	$ 1,124,266	$ 314,204
Tax credits receivable	-	1,331,000
Inventories	1,859,158	2,366,029
Prepaid expenses, advances and deferred expenses	20,328,528	-
Mineral property interests	83,897,736	5,464,205
Property, plant and equipment	91,110,330	-
	$ 198,320,018	$9,475,438

The Company carried out an impairment assessment as at March 31, 2014 and again during the year ended March 31, 2015, in accordance with the Company's accounting policies and as required by IAS 36, using prevailing iron ore prices, existing mining and transportation contract terms and prevailing ocean freight from eastern Canada to China. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount.

As a result of the impairment assessments performed, it was determined that, based on prevailing iron ore prices, existing contract terms and prevailing ocean freight from eastern Canada to China, the carrying value exceeded the recoverable amount of certain assets as at the effective dates of the respective impairment assessments. Accordingly, a non-cash impairment totaling $9,475,438 was recognized during the year ended March 31, 2014 and a non-cash impairment totaling $198,320,018 was recognized during the year ended March 31, 2015.

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

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

The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. Key estimates and judgments used in the fair value less cost of disposal calculation are estimates of production levels, operating costs and capital expenditures reflected in the project's life of mine plans, the value of in situ minerals, exploration potential and land holdings, a discount rate of 10% (2014 – 10%), as well as economic factors beyond the Company's control, such as metal prices, discount rates and foreign exchange rates. In the case of the Company's rail infrastructure and equipment, an assessment of the net realizable value of the assets, after consideration of estimated costs of disposal, was performed. The net realizable value of these assets was estimated to be $7,500,000. Refer to Note 8.

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

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

25. Long-term Payables

Long-term payables consist of payables which have payment terms extending beyond one year, subject to acceleration in the event of default, which in aggregate total $Nil at March 31, 2015 (March 31, 2014 - $14,727,240).

26. 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 consolidated financial statements.

27. Income Taxes

Major items causing the Company`s effective income tax rates to differ from the approximate combined Canadian federal and provincial statutory rate of 27% (2014 - 27%) were as follows:

a) Provision for Income Taxes

		2015 $	2014 $
(Loss) before income taxes		216,670,759	105,217,042
Expected income tax recovery based on statutory rate		60,372,000	28,488,000
Adjustment to expected income tax benefit:			
	Share based payments	30,000	(104,000)
	Other	(2,047,000)	(5,825,000)
	Change in tax rates	1,704,000	-
	Permanent differences	(17,317,000)	-
	Benefit of tax assets not recognized	(42,742,000)	(22,559,000)
Deferred income tax provision (recovery)		-	-

b) Deferred Income Tax Balances

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	2015 $	2014 $
Non-capital loss	-	1,903,000
Property, plant and equipment	-	(1,903,000)
Deferred income tax assets (liabilities)	-	-

Unrecognized Deferred Tax Assets

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2015 $	2014 $
Non-capital loss carry-forwards	254,411,000	178,370,000
Capital losses	659,000	659,000
Share issue costs	4,671,000	8,403,000
Mineral property costs	32,565,000	24,738,000
Reclamation	3,193,000	3,936,000
Property, plant and equipment	63,047,000	-

The tax losses of approximately $254,411,000 expire from 2027 to 2035. The other temporary differences do not expire under current legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

28. Subsequent Events

(a) CCAA proceedings

Subsequent to March 31, 2015, on April 2, 2015, the Company instituted proceedings in the Ontario Superior Court of Justice (the "Court") for a financial restructuring by means of a plan of compromise or arrangement under the CCAA.

The Court Order, as amended and extended on April 30, 2015, provides creditor protection continuing until July 31, 2015, subject to further amendment and extension and grants a stay which generally precludes enforcement or collection action being taken against the Company with respect to pre-CCAA liabilities or contracts.

The Court Order grants the Company the authority to carry on business in a manner consistent with the preservation of its business and property. Among other things, the Company is authorized and empowered to continue corporate and site standby activities and to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons considered necessary by the Company in the ordinary course of business.

As permitted under CCAA proceedings, the Company has disclaimed certain contracts, including its head office lease, a regional office lease and certain office equipment leases. The Company may potentially disclaim additional contracts in the future.

These consolidated financial statements do not give effect to any adjustments which may be required as a result of the Company's CCAA filing, which occurred subsequent to March 31, 2015. Such adjustments, if any, will be reflected in the consolidated financial statements of a later period.

Refer to Note 1.

(b) Expiry of options

Subsequent to March 31, 2015, 142,500 fully vested employee stock options expired unexercised. Prior to expiry, 122,500 of these options were exercisable at $3.00 per share and 20,000 of these options were exercisable at $6.20 per share.