Labrador Iron Mines Limited

Notice of
Annual Meeting of Shareholders
October 4, 2018

Annual Report & Consolidated
Financial Statements

Financial Year Ended March 31, 2018

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders (the "**Meeting**") of Labrador Iron Mines Limited (the "**Corporation**") will be held at the Corporation's office, located at 55 University Avenue, Suite 1805, Toronto, Ontario on Thursday, the 4th day of October, 2018 commencing at 11:30 a.m. (Toronto time) for the following purposes:

1. to receive and consider the consolidated financial statements of the Corporation for the fiscal year ended March 31, 2018, together with the report of the auditors thereon(1);
2. to elect four Directors;
3. to appoint the auditors for the ensuing year and to authorize the Directors to fix the remuneration to be paid to the auditors; and
4. to transact such further or other business as may properly come before the Meeting or any adjournment(s) thereof.

All shareholders are invited to attend the Meeting. Only registered shareholders at the close of business on the day prior to the date of this Notice are entitled to receive notice of and vote at the Meeting.

Shareholders who are unable to attend the Meeting in person may attend and vote by proxy.

DATED at the City of Toronto, the Province of Ontario, this 24 day of August, 2018.

BY ORDER OF THE BOARD OF DIRECTORS

"John F. Kearney"

John F. Kearney
Chairman

NOTES:

1. A copy of the Consolidated Financial Statements of the Corporation for the financial year ended March 31, 2018 and the Report of the Directors accompany this Notice of Annual Meeting and are also available on the Corporation's website at www.labrdorironmines.ca.

OVERVIEW

Labrador Iron Mines Limited ("LIM"), together with its wholly-owned subsidiary Schefferville Mines Inc. ("SMI"), is engaged in the exploration and development of direct shipping iron ore ("DSO") projects in the central part of the Labrador Trough region, one of the major iron ore producing regions in the world, situated in the Menihek area in the Province of Newfoundland and Labrador and in the Province of Quebec, centered near the town of Schefferville, Quebec.

Labrador Iron Mines Holdings Limited holds 51% of the shares of LIM and shares common management with LIM.

LIM owns extensive iron ore resources and facilities as well as numerous mineral exploration claims in Newfoundland and Labrador and in Quebec (collectively, the "Schefferville Projects"). The Schefferville Projects comprise 20 different iron ore deposits of varying sizes, divided into two separate portions, one within the Province of Newfoundland and Labrador and the other within the Province of Quebec, which were all part of the original Iron Ore Company of Canada ("IOC") direct shipping operations which produced about 150 million tonnes of direct shipping iron ore from 1954 to 1982, and form part of the 250 million tonnes of historical resources previously identified by IOC which remained unmined when IOC terminated its Schefferville operations in 1982.

LIM holds NI 43-101 compliant measured and indicated mineral resources of approximately 54.8 million tonnes at an average grade of 56.8% Fe and inferred resources of 5.0 million tonnes at an average grade of 55.6% Fe on its Schefferville Projects. [NI 43-101 compliant technical report, entitled *"Technical Report: Schefferville Area Phase 1 DSO Iron Projects Resource Update, Western Labrador – NE Quebec, Canada*" dated effective June 27, 2014, reports resources as at March 31, 2014].

Houston Iron Royalties Limited, which is owned by the same shareholders who hold 49% of the shares of LIM and which is managed by LIM, holds the right to receive a royalty equal to 2% of the sales proceeds received by LIM from sales of iron ore from LIM's Houston and SMI's Malcolm properties.

LIM also holds approximately 80 million tonnes in historical resources previously identified by IOC. Approximately 28% of these original deposits have been upgraded or converted into NI 43-101 compliant resources through contemporary work programs, leaving 58 million tonne as historical IOC estimates. LIM has a strong track record of upgrading and growing historical resources and has been successful in more than doubling its historical resources upon conversion to a NI 43-101 compliant resource.

LIM also holds the Elizabeth Taconite Project ("Elizabeth"), which has a NI 43-101 compliant inferred mineral resource estimate (as at June 15, 2013) of 620 million tonnes at an average grade of 31.8% Fe. The Elizabeth Taconite Project is an early stage exploration project located approximately four km west of LIM's former James Mine. Taconites require upgrading through a concentrator involving a major capital investment to produce a saleable iron ore product. Nevertheless, Elizabeth represents an opportunity for LIM to develop a major new taconite operation in the Schefferville region of the Labrador Trough. The property location is advantageous, situated next to the former producing Wishart Mine and has direct access to existing roads, rail bed and power line corridor.

LIM commenced mining operations from its James Mine in 2011 and in the three year period of 2011, 2012 and 2013 produced a total of 3.6 million dry metric tonnes of iron ore, all of which was sold in 23 cape-size shipments into the China spot market.

LIM has not undertaken mining operations since 2013, primarily due to the low iron ore price, but maintains its properties on a stand-by care and maintenance basis and, subject to securing financing, is positioned to resume mining operations as soon as economic conditions warrant. The Company continues to conduct the expenditures required to maintain its mineral claims in good standing, although a number of non-core mineral claims have been dropped or surrendered.

Historically, the price of iron ore reached an all-time high of US$191 per tonne (62% Fe CFR China basis) in 2011 and a low of US$37 per tonne in 2015. In 2017 the price ranged from US$55 to US$97, while averaging US$71 per tonne. During the first six months of 2018 the price ranged from US$63 to US$77 per tonne, while averaging US$70 per tonne. Over the past two years there has been a substantial shift in the iron ore market favouring higher grade quality (+65% Fe) product, with premiums for 65% Fe exceeding 30%.

In general, however, Canadian iron ore production continues to be at a competitive disadvantage to the world's top iron ore producers in Australia and Brazil, due to the high cost of operating in the Labrador Trough, and resumption of LIM's mining operations will require a higher iron ore price than prevailed in 2017 and to date in 2018.

From a corporate perspective, LIM has been focused on its financial rationalization efforts and is pursuing the sale of non-core assets and equipment. The Company has significantly reduced corporate overhead and, combined with the limited cost of site maintenance and standby activities, has succeeded in reducing its ongoing costs significantly.

Ongoing Operational Activities

Notwithstanding the challenging environment during the past several years, LIM continues to conduct a variety of necessary operational activities with the objective of preserving its assets, maintaining its mineral properties on a standby basis, fulfilling environmental and regulatory obligations, and controlling costs.

LIM's former James Mine and the Silver Yards processing facility have been in a progressive reclamation stage since 2014. LIM continues to fulfill its environmental regulatory requirements, which principally relate to rehabilitation of the former James Mine. The James Mine open pit is now flooded with natural water, as planned, and water is discharging by way of a reclaimed tributary.

Site activities during the year consisted mainly of property maintenance, reclamation, environmental monitoring and site standby activities. LIM's environmental monitoring activities relate principally to monitoring water quality and fish habitat conditions in the lakes and tributaries surrounding the James Mine. Site costs have been partly offset by third party income earned at LIM's rail car repair facility in Sept-Iles, Quebec.

LIM has established a rehabilitation provision relating to its Stage 1 mining operations. The total estimated cost to complete the remaining reclamation and remediation obligations related to this portion of its mining operations is $2.3 million and the Company has restricted cash set aside as financial assurance for this rehabilitation program.

LIM has existing life-of-mine rail agreements with Quebec North Shore and Labrador Railway ("QNS&L") and Tshiuetin Rail Transportation Inc. ("TSH") for the transport of iron ore across the 235 km TSH railway and the 350 km QNS&L railway to the Port of Sept-Iles. These agreements are currently suspended until LIM's mining operations resume. Notwithstanding that LIM has suspended or terminated its major commercial contracts, LIM is also seeking additional amendments to be effective when the suspended contracts are reactivated. There are no assurances that LIM will be successful in negotiating such additional amendments to the commercial terms of its major contracts on reasonable or acceptable terms, or at all.

The port handling arrangements for the future shipment of LIM's iron ore production remain subject to ongoing evaluation and finalization. LIM continues to evaluate different options for the unloading, stockpiling and ship loading of LIM's iron ore products at the Port of Sept-Iles, including the potential use of the Port's new multi-user deep-water berth (50 million tonnes per year) in the Port of Sept-Iles where the Port installed a new connecting loading conveyor in 2018. Use of such facility would require negotiation of a new agreement with the Port.

Requirement for Working Capital and Development Financing

The Company plans to fund its ongoing site standby and general corporate and administrative activities from the proceeds of sale of surplus non-core assets and the release of restricted cash. If the Company is unable to generate sufficient proceeds from the sale of surplus non-core assets or the release of restricted cash or otherwise obtain adequate financing, the Company may be required to curtail all its operations and activities.

While the ability to continue corporate and site standby activities over the next 12 months is not dependent on securing additional development financing, due to its limited working capital at March 31, 2018, the Company will need to secure additional financing to continue as a going concern. Even if the Company is successful in funding its general working capital needs, 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.

HOUSTON PROJECT

The Houston Project ("Houston"), which includes the Houston deposit and the Malcolm deposit, is planned as LIM's next project to be developed. Houston is situated in Labrador about 25 km southeast of the town of Schefferville. Together with the Malcolm Deposit, considered to be its northwest extension, the Houston deposits are estimated to contain a National Instrument 43-101 ("NI 43-101") resource of 40.6 million tonnes grading 57.6% iron ("Fe"). LIM has identified a higher-grade component of this resource, 20 million tonnes at an average grade of 62% Fe, at a 58% cut-off grade, that is amenable to dry crushing and screening.

The initial mine plan will focus on this higher-grade component. The revised development plan is based on lower-cost dry crushing and screening only. When in full production, the Houston-Malcolm deposits are expected to produce consistent saleable product of about 2 million tonnes per year, with an initial mine-life of 10 years. The Houston deposits also contain harder ore than the James mine and are anticipated to produce a larger proportion of premium lump product

The development plan for Houston is relatively simple. The major component consists of constructing an 8 kilometre ("km") gravel road, including a 30 metre bridge over the Gilling River. The new road will connect to an existing road located near Redmond Mine, which leads to the Silver Yards facilities. The overall one-way distance by road from Houston to Silver Yards is approximately 20 km. It is planned to construct a new rail siding near the Houston Mine.

The capital investment to put Houston into production is relatively modest, and the lead time for development relatively short, compared with most other iron ore projects under development in the Labrador Trough. Subject to securing financing, the Company is positioned to pursue development of the Houston Project and resume mining operations as soon as economic conditions warrant.

Development of the Houston Project is subject to the availability of development financing. There are no assurances that LIM will be successful in obtaining the required financing and if LIM is unable to obtain such financing, the development of Houston will be postponed.

IRON ORE PRICE

Iron ore is the main raw material used in the steel making process, which requires approximately 1.7 tonnes of iron ore to produce each tonne of steel. China, which forges half of the world's steel and consumes two-thirds of the world's seaborne iron ore trade, dominates both the steel and iron ore markets. China currently imports approximately 90% of the iron ore used in its blast furnaces, due to the low quality of its domestic iron ore sources.

Global steel production has grown at a cumulative average growth rate of 3.9% since 1996 and remains fundamentally strong. Much of this growth has been driven by infrastructure development in China and other developing countries. In 2017, China consumed a record 1.2 billion tonnes of iron ore, representing an increase of 3.6% over its 2016 consumption. AME, a leading industry analyst and advisor, expects China's consumption to continue at this volume through 2020 and expects demand in the rest of the world to increase by 12.7% in the same period.

Despite strong demand, however, the price of iron ore in recent years has been characterized by extreme price volatility, as seaborne supply has often exceeded demand. In fact, worldwide production of iron ore has generally exceeded demand since 2014, largely due to significant production increases in Australia and Brazil. AME expects this trend to continue in 2018 and 2019, with equilibrium finally being reached again in 2020.

Historically, the price of iron ore reached an all-time high of US$191 per tonne (62% Fe CFR China basis) in 2011 and a low of US$37 per tonne in 2015. In 2016 the price ranged from US$40 to US$80, while averaging US$58 per tonne. In 2017 the price continued to improve, ranging from US$55 to US$97, while averaging US$71 per tonne. During the first six months of 2018 the price ranged from US$63 to US$77 per tonne, while averaging US$70 per tonne. The current price in August 2018 is US$69 per tonne (62% Fe) with an additional 30% premium paid for high quality (65% Fe) iron ore.

As a result of expected continuing supply surpluses, the consensus forecast price for the remainder of 2018 until 2020 is in the low US$60 per tonne (62% Fe) range, below the current price. While analysts generally expect steel production to remain relatively steady, which should provide strong underlying demand for iron ore, supply dynamics continue to be a major wildcard, as the world's largest iron ore producers have a history of demonstrating poor production discipline, sacrificing price and revenue on the altar of market share.

In recent years there has been a substantial shift in the iron ore market favouring higher grade products. This has been particularly noticeable in China, where recent policy measures focused on environmental protection have driven demand for higher grade iron ore. Policy initiatives have included the closure of induction furnaces, shuttering of excess steel-making capacity and winter steel production cuts in the Beijing-Tianjin area. These measures, coupled with a general strengthening of Chinese industrial demand have put pressure on the remaining steel plants to increase their efficiency, which has, in turn, driven the demand and price for high grade imported iron ore.

These environmental and market pressures have led to an increase in the premium paid for iron ore with a higher iron content, lower deleterious element content (particularly with respect to phosphorous, silica, alumina and manganese) and higher lump component relative to the benchmark 62% Fe sinter fine product. Conversely, value-in-use penalties have increased for iron ore considered inferior to the benchmark 62% Fe sinter fine product.

This has resulted in the development of three distinctly different markets for iron ore, being (i) an out-of-favour lower quality ~58% Fe product which now sells at a substantial discount; (ii) a standard commodity grade 62% Fe product at the benchmark price; and (iii) a heavily in-demand high quality ~65% Fe product which commands a substantial premium. A global decline of high grade iron ore reserves without offsetting developments has resulted in a glut of lower quality ~58% Fe product and a shortage of the ~65% Fe premium product. This market condition and the resultant strong premium for ~65% Fe product are expected to continue in the medium term based on the current global project pipeline.

In general, however, Canadian iron ore production continues to be at a competitive disadvantage to the world's top iron ore producers in Australia and Brazil, due to the high cost of operating in the Labrador Trough. Canada is on the opposite side of the world from the main iron ore market in China. Australia and Brazil not only have a huge ocean freight advantage shipping to China, but due to economies of scale, the operating costs of the large Australian and Brazilian producers are significantly lower than Canadian costs.

In 2016 the Government of Quebec provided a government financial investment of $175 million to acquire a 20% shareholding in Tata Steel Minerals Canada to support the achievement at Schefferville of Tata's direct shipping iron ore operations, where Tata is developing the remaining historical IOC resources not controlled by LIM.

This investment was made by the Government of Quebec as part of its Plan Nord with the objective of promoting, amongst others, the Pointe Noire terminal and transshipment facilities in the Port of Sept-Iles, where Tata Steel Minerals Canada is planning to use the former Wabush and Bloom Lake rail and port assets in the Pointe Noire area of the Port, acquired during 2016 by Société Ferrovaire et Portuaire de Pointe Noire, a public private partnership established by the Government of Quebec.

The Pointe Noire terminal facilities include the Wabush yard, dumper and loader, the Bloom Lake dumper and loader, the Wabush Pellet Plant and the Arnaud Railway which connects that part of the Port to the QNS&L railroad of IOC, which in turn connects the Port to Labrador City and, via the TSH railway, to Schefferville.

Recent developments in the Labrador Trough include initiatives to restart two mines shut down by Cliffs in 2014 and 2015. Champion Iron Limited's subsidiary Quebec Iron Ore Inc., in which Investment Quebec is a significant shareholder, recently restarted the Bloom Lake Mine near Fermont, Quebec, which based on its feasibility study is expected to produce 7.4 million tonnes of 66.2% Fe concentrate per year over a 21-year mine life.

Similarly, Tacora Resources Inc. has announced plans to restart the Scully Mine near Wabush in Labrador by 2019, which based on its feasibility study is expected to produce 6 million tonnes of 65.9% Fe concentrate per year over a 26-year mine life. Both of the Bloom Lake and Wabush mines plan to produce high quality concentrates to seek the enhanced premium pricing such products currently command.

FINANCIAL RESULTS – YEAR ENDED MARCH 31, 2018

The Audited Consolidated Financial Statements of Labrador Iron Mines Limited for the year ended March 31, 2018 are included with this Report.

As part of the group's corporate reorganization, LIM acquired SMI on December 19, 2016. Accordingly, LIM's financial results are presented on a consolidated basis with SMI effective the date of acquisition.

For the year ended March 31, 2018, LIM reported a net loss of $0.4 million, or $0.00 per share, mainly attributable to site costs of $0.4 million and corporate and administrative costs of $0.5 million, offset by an impairment reversal of $0.4 million relating to certain surplus equipment that was sold during the year.

The carrying value of LIM's mineral property interests was assessed as at year end March 31, 2018. As the iron ore market conditions during the assessment period and subsequent to year end had not recovered, no revision to the fully impaired carrying value was recognized as at March 31, 2018.

LIM made no capital expenditures on property, plant and equipment on its mining properties during the year. Corporate and administrative costs remained low, reflecting a reduction in staff levels and a rationalization of office space and related costs.

As at March 31, 2018, LIM had a positive working capital balance of $0.7 million and has no current or long-term bank debt. LIM also held non-current restricted cash of $2.1 million. LIM has significantly reduced corporate overhead and, combined with the limited cost of site maintenance and standby activities, has succeeded in reducing its ongoing costs significantly. LIM plans to fund its ongoing site standby and general corporate and administrative activities from the proceeds of sale of surplus non-core assets and equipment.

On behalf of the Board of Directors August 24, 2018
John F. Kearney
Chairman

UHY McGovern Hurley LLP
Chartered Professional Accountants

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
Fax 416-496-0125
Email info@uhymh.com
Web www.uhymh.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Labrador Iron Mines Limited

We have audited the accompanying consolidated financial statements of Labrador Iron Mines Limited and its subsidiary, which comprise the consolidated statements of financial position as at March 31, 2018 and 2017, and the consolidated statements of operations and comprehensive (loss) income, 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 Limited and its subsidiary as at March 31, 2018 and 2017, 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 Labrador Iron Mines Limited requires additional funding in order to fund its ongoing working capital requirements. 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 ability of Labrador Iron Mines Limited to continue as a going concern.

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
July 19, 2018

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

	March 31, 2018	March 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 265,028	$ 40,939
Restricted cash (Note 7)	250,920	378,025
Accounts receivable and prepaid expenses (Notes 5 and 19)	98,875	226,043
Due from Labrador Iron Mines Holdings Limited (Note 19)	828,342	445,349
Assets held for sale (Note 6)	-	590,001
Total current assets	1,443,165	1,680,357
Non-current assets		
Restricted cash (Note 7)	2,112,794	2,495,991
Prepaid expenses	48,321	-
Mineral property interests (Notes 8 and 17)	1	1
Property, plant and equipment (Notes 9, 16 and 17)	90,564	95,331
Total non-current assets	2,251,680	2,591,323
Total assets	$ 3,694,845	$ 4,271,680
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 10 and 19)	$ 751,713	$ 398,957
Prepayment on sale of equipment (Note 16)	-	350,000
Rehabilitation provision (Note 12)	-	54,000
Total current liabilities	751,713	802,957
Non-current liabilities		
Rehabilitation provision (Note 12)	2,253,100	2,348,006
Total non-current liabilities	2,253,100	2,348,006
Total liabilities	3,004,813	3,150,963
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	32,691,192	32,732,207
Deficit	(32,001,160)	(31,611,490)
Total shareholders’ equity	690,032	1,120,717
Total liabilities and shareholders’ equity	$ 3,694,845	$ 4,271,680

Going concern (Note 1)
Commitments and contingencies (Note 15)

The financial statements were approved by the Board of Directors on July 19, 2018 and signed on its behalf by:

Signed *“John F. Kearney”*	Signed *“Richard Pinkerton”*
Director	Director

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

LABRADOR IRON MINES LIMITED

Consolidated Statements of Operations and Comprehensive (Loss) Income

(Expressed in Canadian dollars)

	Year ended March 31, 2018	Year ended March 31, 2017
Operating expenses		
Site and camp operations	$ (403,230)	$ (941,250)
Depreciation (Note 9)	(4,767)	(1,254)
Loss before the undernoted	(407,997)	(942,504)
Corporate and administrative costs	(468,652)	(1,143,897)
Accretion (Note 12)	(24,278)	(26,048)
Gain on sale of equipment (Note 16)	-	376,555
Impairment reversal (Notes 8 and 17)	448,166	7,590,001
Interest earned	22,076	23,803
	(22,688)	6,820,414
Net (loss) income before the undernoted	(430,685)	5,877,910
Restructuring recovery (Note 18)	-	315,626,139
Net (loss) income before income taxes	(430,685)	321,504,049
Deferred income tax (Note 22 (a))	-	-
Comprehensive (loss) income for the year	$ (430,685)	$ 321,504,049
(Loss) earnings per share		
Basic and diluted	$ (0.00)	$ 5.15
Weighted average number of shares outstanding		
Basic and diluted (Note 13) (Retroactively reflecting a 1 for 17 subdivision of shares) (Note 13)	99,942,130	62,416,003

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

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

	Year ended March 31, 2018	Year ended March 31, 2017
Cash (used in) operating activities		
Net (loss) income for the year	$ (430,685)	$ 321,504,049
Items not involving cash		
Depreciation	4,767	1,254
Accretion on rehabilitation provision (Note 12)	24,278	26,048
Accrued interest	2,677	3,013
Gain on sale of equipment (Note 16)	-	(376,555)
Net impairment (reversal) (Note 17)	(448,166)	(7,590,901)
Restructuring (recovery) (Note 18)	-	(315,626,139)
Changes in working capital	207,535	(1,101,774)
Cash (used in) operating activities	(639,594)	(3,161,005)
Cash provided by investing activities		
Proceeds from sale of equipment (Note 16)	1,052,462	376,555
Deposit on sale of equipment (Note 16)	(350,000)	350,000
Release of restricted cash	507,625	-
Cash provided by investing activities	1,210,087	726,555
Cash provided by (used in) financing activities		
Net advances by (to) Labrador Iron Mines Holdings Limited (Note 19)	(346,404)	2,457,059
Cash provided by (used in) financing activities	(346,404)	2,457,059
Change in cash and cash equivalents	224,089	22,609
Cash and cash equivalents, beginning of year	40,939	18,330
Cash and cash equivalents, end of year	$ 265,028	$ 40,939
Cash and cash equivalents consist of:		
Cash	$ 265,028	$ 40,939

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

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

	Share Capital		Deficit	Shareholders' Equity
	Number	Amount	Amount	Amount
Balance, March 31, 2016	2,814,100	$ 22,932,107	$ (353,115,539)	$ (330,183,432)
Issuance of LIM common shares to acquire 362,800 SMI common shares under the Plan (Note 14)	185,900	100	-	100
Balance, prior to 1 for 17 subdivision of LIM common shares under the Plan (Note 14)	3,000,000	$ 22,932,207	$ (353,115,539)	$ (330,183,332)
Balance, after 1 for 17 subdivision of LIM common shares under the Plan (Note 14)	51,000,000	$ 22,932,207	$ (353,115,539)	$ (330,183,332)
Distribution of LIM common shares to creditors under the Plan (Note 14)	49,000,000	9,800,000	-	9,800,000
Net income for the year	-	-	321,504,049	321,504,049
Balance, March 31, 2017	100,000,000	$ 32,732,207	$ (31,611,490)	$ 1,120,717
Cancellation of LIM common shares	(205,075)	(41,015)	41,015	-
Net (loss) for the year	-	-	(430,685)	(430,685)
Balance, March 31, 2018	99,794,925	$ 32,691,192	$ (32,001,160)	$ 690,032

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

1. Nature of Operations, Financial Restructuring and Going Concern

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Labrador Iron Mines Limited ("LIM") and, effective December 19, 2016, LIM's wholly-owned subsidiary Schefferville Mines Inc. ("SMI").

LIM acquired 100% of the common shares of SMI on December 19, 2016 from LIM's parent company Labrador Iron Mines Holdings Limited ("LIMH"), as described below. Refer also to Note 14.

All significant intercompany accounts and transactions have been eliminated upon consolidation.

Nature of Operations

Labrador Iron Mines Limited (on a consolidated basis, the "Company") is a mineral resource company engaged in the business of exploration, development and mining of iron ore projects in Canada.

The Company's mineral properties located in the Province of Newfoundland and Labrador are held within LIM and the Company's mineral properties located in the Province of Quebec are held within SMI. 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"). Among the Schefferville Projects, the Houston Project, consisting of the Houston and Malcolm properties, is the Company's principal project.

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

The Company has not conducted mining operations, other than site maintenance and standby activities, since the year ended March 31, 2014, primarily due to the prevailing low price of iron ore. The Company completed a financial restructuring in December 2016 and is currently focused on maintaining its properties and securing development financing to resume mining operations when market conditions improve. Should market and economic conditions warrant, and subject to securing working capital and development financing, the Company intends to commence development of its Houston Project.

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

Financial Restructuring and Plan of Arrangement

On April 2, 2015, the Company, along with its parent company LIMH, instituted proceedings in the Ontario Superior Court of Justice (the "Court") for a financial restructuring under the Companies' Creditors Arrangement Act ("CCAA").

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 development of the Houston Project.

On November 10, 2016, the Company filed its plan of arrangement and compromise (the "Plan of Arrangement" or "Plan") with the Court. Following creditor approval and Court sanction, the Plan was implemented and the Company exited CCAA proceedings on December 19, 2016.

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

Financial Restructuring and Plan of Arrangement (continued)

Under the Plan, the debts of subsidiaries LIM and SMI were converted into equity of LIM and equity of Houston Iron Royalties Limited ("RoyaltyCo"). RoyaltyCo was a newly-formed corporation that had been granted the right to receive a royalty equal to 2% of the sales proceeds (FOB Port of Sept-Iles) received by LIM and SMI from sales of iron ore from the Company's Houston and Malcolm properties.

The period of time during which the Company operated under the provisions of CCAA, being April 2, 2015 until December 19, 2016, is hereinafter referred to as the "CCAA Period."

Refer to Notes 14 and 18.

Going Concern

As at March 31, 2018, the Company had working capital of $691,452. The Company believes it has sufficient resources to continue its operations over the next 12 months, based on the Company's expectation that it will generate sufficient proceeds from the sale of surplus assets to fund its corporate and site standby activities. Accordingly, the consolidated financial statements for the year ended March 31, 2018 have been prepared on a going concern basis, using the historical cost convention.

There are no assurances that the Company will be successful in generating sufficient proceeds from the sale of surplus assets to fund its ongoing working capital requirements. If the Company is unable to generate sufficient proceeds, 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.

Furthermore, the Company's ability to develop the Houston Project is dependent on completing additional development financing. Even if the Company is successful in funding its immediate working capital requirements, 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.

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.

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention and using the accrual basis of accounting, except for cash flow information. Refer to Notes 1 and 4.

During the CCAA Period the Company reclassified certain amounts within its financial statements to distinguish transactions and liabilities that were directly associated with the restructuring process from the ongoing operations of the business. Furthermore, liabilities that were affected by the restructuring plan were presented as liabilities subject to compromise during the CCAA Period. Refer to Notes 1, 4, 15(b) and 18.

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 and property, plant and equipment
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 an impairment of the carrying amounts of the Company's mineral property interests.

While assessing whether any indications of impairment exist for property, plant and equipment, management looks at the higher of recoverable amount or fair value less costs of disposal.

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

These determinations and their individual assumptions require that management make decisions based on the best available information at each reporting period. Refer to Note 17.

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, 2017 and 2018 the Company completed impairment assessments of its mineral property interests based on a discounted cash flow analysis. Refer to Notes 8 and 17.

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. Refer to Note 12.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

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 is used in applying valuation techniques. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

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.

Valuation of royalties

The value of royalties is estimated using a discounted cash flow methodology. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's mining properties and an appropriate discount rate. Changes in iron ore prices, production volumes, the amount of recoverable mineral resources and other economic variables may result in a significant difference in the estimated value.

Going concern

Refer to Note 1.

Contingencies

Refer to Note 15.

4. Significant Accounting Policies

Accounting policies under CCAA restructuring

In general, the Company's CCAA filing on April 2, 2015 did not change the manner in which the Company's financial statements were prepared. However, for presentation purposes, financial statements during the CCAA Period distinguished liabilities and expenses that were directly associated with the restructuring from the ongoing liabilities and operations of the business.

During the CCAA Period the consolidated statement of financial position distinguished pre-filing liabilities subject to compromise under CCAA from both those pre-filing liabilities that were not subject to compromise and from post-filing liabilities. Liabilities subject to compromise were initially recognized at the amounts recorded in the Company's books and represented the Company's best estimate of known and potential compromised claims and were subject to adjustment as a result of negotiations, actions of the Court, proof of claim and other events. Resulting adjustments were recorded as claims adjustments. Refer to Note 18.

During the CCAA Period expenses and provisions that were directly associated with the CCAA restructuring were reported separately in the consolidated statement of operations and comprehensive (loss) income as restructuring items. Refer to Note 18.

Basis of consolidation

The financial statements consolidate the accounts of LIM and, effective December 19, 2016, SMI. All significant intercompany transactions and balances have been eliminated. Refer to Note 1.

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 intercompany balances and transactions. Refer to Note 1.

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.

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.

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, 2017 and 2018, 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.

4. Significant Accounting Policies (continued)

Property, plant and equipment

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

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

Depletion/depreciation/amortization

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

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

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

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.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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.

4. Significant Accounting Policies (continued)

Impairment of non-financial assets

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) income.

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. Cash equivalents are classified at fair value through profit or loss. The Company's other financial assets are classified as loans and receivables.

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) income.

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.

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) income.

4. Significant Accounting Policies (continued)

Financial assets (continued)

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, liabilities subject to compromise and other liabilities. The Company did not have any derivative instruments at March 31, 2017 and 2018.

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)

Financial liabilities (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) income.

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.

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 income (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) income.

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.

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 earnings per share or decrease (loss) per share. The Company did not have any stock options or warrants outstanding during the years ended March 31, 2017 and 2018.

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 they relate 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.

4. Significant Accounting Policies (continued)

Recent accounting pronouncements

During the years ended March 31, 2017 and 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements to existing standards including IAS 1, presentation of financial statements. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after April 1, 2018 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.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 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.

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, 2018.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

5. Accounts Receivable and Prepaid Expenses

	March 31, 2018	March 31, 2017
Accounts receivable	$ 87,876	$ 87,708
Refundable taxes	10,291	28,257
Prepaid expenses	708	110,078
	$ 98,875	$ 226,043

6. Assets Held for Sale

Non-current assets are reclassified as current assets held for sale if their carrying amount will be recovered principally through a sale transaction expected to be completed within one year, rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. As at March 31, 2017 and 2018 the Company had classified certain surplus plant equipment as assets held for sale. Refer to Notes 9, 16 and 17.

	Year ended March 31, 2018	Year ended March 31, 2017
Opening balance	$ 590,001	$ -
Additions:		
Plant and equipment (Note 16)	462,461	590,001
Disposals:		
Plant and equipment (Note 16)	(1,052,462)	-
Ending balance	-	$ 590,001

7. Restricted Cash

Restricted cash consists of term deposits assigned by the Company to its bank, mainly as security for letters of credit issued to government regulatory authorities for rehabilitation and closure obligations.

	March 31, 2018	March 31, 2017
Current portion	$ 250,920	$ 378,025
Non-current portion	2,112,794	2,495,991
	$ 2,363,714	$ 2,874,016

Current restricted cash represents the restricted cash expected to be released within 12 months as a result of progressive rehabilitation work completed as at the reporting date.

8. Mineral Property Interests

LIM and SMI collectively hold 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. Among the Schefferville Projects, the Houston Project, consisting of the Houston and Malcolm properties, is the Company's principal project.

Effective December 19, 2016, as part of the Plan of Arrangement, a royalty was created equal to 2% of the sales proceeds (FOB Port of Sept-Iles) received from sales of iron ore from the Houston Project, with such royalty being payable quarterly in arrears. The value of the royalty was estimated as $7,000,000 on the grant date, based on management's estimate of the fair value of the royalty, principally based on a discounted cash flow methodology.

All of the iron ore properties located in Labrador held by LIM are held subject to an underlying royalty in the amount of 3% of the selling price (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 held by SMI 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.

SMI holds certain other mining claims in Quebec subject to the payment of a royalty of $2.00 per tonne of iron ore shipped from the properties.

As part of a settlement agreement with RBRG Trading (UK) Limited (formerly RB Metalloyd Limited) ("RBRG") in December 2016, the Company granted RBRG a 50% net profit interest in certain historical stockpiles in consideration of a release of RBRG's security interest in such stockpiles.

During the year ended March 31, 2015, the carrying value of the Company's mineral property interests was impaired based on an assessment using then-prevailing economic conditions.

In December 2016, in connection with completion of the Plan of Arrangement and the issue of shares of LIM and RoyaltyCo, the Company recorded an impairment reversal of mineral property interests in the amount of $26,999,999, prior to taking into consideration the effect of the newly granted royalty valued at $7,000,000, based on management's estimate of the fair value of the Company's projects using various valuation approaches, including comparative market transactions and a discounted cash flow analysis, resulting in an adjusted net carrying value of $20,000,000 for such mineral property interests as at December 31, 2016.

In assessing the fair value of the Company's projects in connection with completion of the Plan of Arrangement and the issue of shares of LIM and RoyaltyCo in December 2016, the Company's discounted cash flow model assumed annual production from the Houston Project of approximately 2.0 million tonnes of saleable product per year for ten years at an assumed average long term iron ore price of US$90 per tonne (62% Fe CFR China basis) using a risk adjusted discount rate of 15% and a CAD/US exchange rate of 0.75. This assessment was made in the context of market conditions and trends then prevailing. The price of iron ore had doubled in 2016, reaching a two year high of US$80 per tonne (62% Fe CFR China basis) in December 2016 and moved higher in early 2017, reaching a high of US$97 per tonne in February 2017. As at December 2016, the historical five year average price of iron ore was US$95 per tonne.

The carrying value of the Company's mineral property interests was assessed for impairment as at March 31, 2017. As required by IFRS and IAS 36, the year end impairment assessment took into consideration economic conditions prevailing at and throughout the assessment period subsequent to year end. Although the iron ore price was US$80 per tonne at March 31, 2017, the iron ore price declined to an average of approximately US$65 per tonne during the April to July 2017 period in which the year end impairment assessment was conducted. Accordingly, based on the market conditions prevailing during the assessment period, an impairment of $19,999,999 on mineral property interests was recorded effective March 31, 2017.

8. Mineral Property Interests (continued)

The fully impaired carrying value of the Company's mineral property interests was assessed as at March 31, 2018. As the iron ore price averaged approximately US$65 per tonne during the assessment period subsequent to year end, no revision to the fully impaired carrying value was recognized as at March 31, 2018.

Refer to Notes 11 and 17.

The Company's mineral property assets are as follows:

	Mineral property interests $
Cost at:	
March 31, 2016	1
Impairment reversal (Note 17)	26,999,999
Grant of royalty (Note 11)	(7,000,000)
Impairment (Note 17)	(19,999,999)
March 31, 2017 and 2018	1
Accumulated depletion at:	
March 31, 2016, 2017 and 2018	-
Net book value at:	
March 31, 2016, 2017 and 2018	1

All of the Company's properties are currently categorized as mineral property interests.

9. Property, Plant and Equipment

Cost at:	Buildings $	Transportation infrastructure and equipment $	Beneficiation plant and equipment $	Total $
March 31, 2016	-	4,571,243	-	4,571,243
Addition	96,585	-	-	96,585
Disposal	-	(1,500,000)	-	(1,500,000)
Impairment reversal (Note 17)	-	-	590,001	590,001
Transfer to assets held for sale (Note 6)	-	-	(590,001)	(590,001)
March 31, 2017	96,585	3,071,243	-	3,167,828
Impairment reversal (Note 17)	-	-	462,461	462,461
Transfer to assets held for sale (Note 6)	-	-	(462,461)	(462,461)
March 31, 2018	96,585	3,071,243	-	3,167,828
Accumulated Depreciation at:				
March 31, 2016	-	(3,071,243)	-	(3,071,243)
Depreciation	(1,254)	-	-	(1,254)
March 31, 2017	(1,254)	(3,071,243)	-	(3,072,497)
Depreciation	(4,767)	-	-	(4,767)
March 31, 2018	(6,021)	(3,071,243)	-	(3,077,264)
Net Book Value at:				
March 31, 2017	95,331	-	-	95,331
March 31, 2018	90,564	-	-	90,564

Transportation infrastructure and equipment includes the Company's rail track and fleet of railcars.

During the year ended March 31, 2017, the Company disposed of its fleet of railcars, which had a carrying value of $1,500,000, with the net proceeds remitted to a secured creditor in final satisfaction of a security interest in the railcars. Refer to Note 14(c).

As at March 31, 2017, certain surplus plant equipment was reclassified as assets held for sale, due to its pending sale. Such surplus plant and equipment was sold during the year ended March 31, 2018. Refer to Note 6.

During the year ended March 31, 2018, certain additional surplus plant equipment was reclassified as held for sale, due to its pending sale. Such additional plant and equipment was sold during the year ended March 31, 2018. Refer to Note 6.

10. Accounts Payable and Accrued Liabilities

	March 31, 2018	March 31, 2017
Trade payables and accruals	$ 633,968	$ 387,823
Sales taxes and statutory liabilities	117,745	11,134
	$ 751,713	$ 398,957

Refer to Notes 1, 2, 14 and 18.

11. Royalty

In connection with the Plan, RoyaltyCo was established by LIM. LIM and SMI granted RoyaltyCo the right to receive a royalty equal to 2% of the sales proceeds (FOB Port of Sept-Iles) received from sales of iron ore from the Houston and Malcolm properties in exchange for 35,000,000 common shares of RoyaltyCo. The value of the royalty upon date of grant (using a discounted cash flow valuation approach) and the value of the RoyaltyCo common shares received as consideration were estimated at $7,000,000.

Upon implementation of the Plan, LIM distributed all of the shares of RoyaltyCo to creditors of LIM and SMI, other than Convenience Creditors, on a pro rata basis in partial satisfaction of their claims against LIM and SMI.

Refer to Notes 14 and 17.

12. Rehabilitation Provision

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

At March 31, 2018, the total undiscounted amount of the Company's rehabilitation provision is $2,150,435 and is expected to be incurred between calendar 2018 and 2031. The rehabilitation provision is recognized as $2,253,100 at March 31, 2018 using a discount rate of 1.7% and a long-term inflation rate of 1.5%.

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

	Year ended March 31, 2018	Year ended March 31, 2017
Balance, beginning of year	$ 2,402,006	$ 2,772,421
Rehabilitation performed	(270,799)	(396,463)
Change in estimate	97,615	-
Accretion	24,278	26,048
Balance, end of year	2,253,100	2,402,006
Less: current portion, end of year	-	(54,000)
Non-current portion, end of year	$ 2,253,100	$ 2,348,006

13. Share Capital

Authorized
Unlimited common shares, no par value

Issued	Shares #	Amount $
Balance March 31, 2016	2,814,100	22,932,107
Common shares issued on December 19, 2016 to acquire SMI (Note 14)	185,900	100
Balance December 19, 2016 prior to subdivision of common shares on a one for seventeen basis (Note 14)	3,000,000	22,932,207
Balance December 19, 2016 after subdivision of common shares on a one for seventeen basis (Note 14)	51,000,000	22,932,207
Distribution of common shares to creditors (Note 14)	49,000,000	9,800,000
Balance March 31, 2017	100,000,000	32,732,207
Cancellation of common shares	(205,075)	(41,015)
Balance March 31, 2018	99,794,925	32,691,192

The issued and outstanding common shares of the Company were subdivided on a one for seventeen basis under the Plan on December 19, 2016. Refer to Note 14.

On December 18, 2017, 205,075 common shares of the Company were surrendered and cancelled.

14. Plan of Arrangement

The Plan of Arrangement was implemented on December 19, 2016.

The Plan principally involved, in sequential order, the following:

(a) the transfer of common shares of SMI from its parent company LIMH to LIM on a tax-free rollover basis, making SMI a wholly-owned subsidiary of LIM;

(b) a 1 for 17 subdivision of LIM common shares;

(c) the conversion of debts of LIM and SMI into equity of LIM and RoyaltyCo.

Each of the above steps is described further below.

(a) Acquistion of Schefferville Mines Inc.

On December 19, 2016 LIM acquired 362,800 common shares of SMI from LIMH, representing 100% of the issued shares of SMI, making SMI a wholly-owned subsidiary of LIM. As consideration, LIM issued to LIMH 185,900 previously unissued LIM common shares (prior to a 1 for 17 subdivision of LIM common shares). To achieve a tax free rollover under section 85 of the Income Tax Act, the transaction was valued at $100, equal to the adjusted cost base and estimated fair value of the acquired SMI shares.

For consolidation purposes, the purchase price was allocated as follows:

Purchase price:	
185,900 common shares of LIM (prior to 1 for 17 subdivision of common shares)	$ 100
Purchase price allocation:	
Cash	$ 1,000
Accounts receivable and prepaid expenses	19,592
Property, plant and equipment	96,585
Fair value of liabilities subject to compromise	(117,077)
	$ 100

(b) Subdivision of Common Shares

LIM had 2,814,100 common shares issued and outstanding immediately prior to issuing 185,900 common shares to acquire 100% of the common shares of SMI from LIMH.

LIM's resulting 3,000,000 common shares were then subdivided on a 1 for 17 basis such that there were 51,000,000 post-subdivision LIM common shares outstanding immediately prior to the distribution of the 49,000,000 post-subdivision LIM common shares as described in Note 14(c) below.

Refer to Note 13.

14. Plan of Arrangement (continued)

(c) Debt Conversion

Under the Plan the intercompany claims of LIMH against LIM and SMI were extinguished and LIMH's existing 100% equity interest in LIM was diluted to a 51% equity interest. The remaining debts of LIM and SMI were converted into equity of LIM and equity of RoyaltyCo. RoyaltyCo was a newly-formed corporation that had been granted the right to receive a royalty equal to 2% of the sales proceeds (FOB Port of Sept-Iles) received by LIM and SMI from sales of iron ore from the Company's Houston and Malcolm properties.

Under the Plan, creditors with claims of $5,000 or less, or creditors with larger claims who elected to reduce their claims to $5,000 (collectively "Convenience Claims") were paid in cash.

On December 6, 2016 the Plan was approved unanimously by creditors of LIMH and by approximately 95% in value of creditors of LIM and SMI, with only one contested claim and on December 19, 2016, the Plan was implemented.

As a result of implementation of the Plan, creditors with claims against LIM or SMI (other than those with Convenience Claims), as a group, were issued a 49% equity interest in LIM. In addition, creditors of LIM or SMI were issued a 100% equity interest in RoyaltyCo.

The following table sets out the impact of implementation of the Plan on December 19, 2016 on the Company's liabilities subject to compromise.

	Shares Issued (#)	Share Issue Price ($)	Value ($)
Pre Plan Implementation:			
LIM compromised liabilities, March 31, 2016			331,862,328
Advances from LIMH to LIM between April 1, 2016 and December 19, 2016			2,201,292
Claim adjustments			8,460,435
Fair value of SMI compromised liabilities acquired, December 19, 2016			117,077
Total compromised liabilities, December 19, 2016			342,641,132
Plan Implementation:			
Convenience Claim cash payments			(114,327)
Distribution of LIM post-subdivision common shares	49,000,000	0.20	(9,800,000)
Distribution of RoyaltyCo common shares	35,000,000	0.20	(7,000,000)
Disposal of railcars			(1,500,000)
Write-off of compromised liabilities			(324,226,805)
Post Plan Implementation:			
Compromised liabilities, after Plan Implementation			-

The issue price of LIM shares was based on an estimate of LIM's net asset value, after taking into consideration implementation of the Plan which consists primarily of the value of its mineral property interests, estimated primarily using a discounted cash flow methodology. Refer to Notes 8 and 17.

The issue price of RoyaltyCo shares was based on an estimated value of the acquired Houston Royalty, using a discounted cash flow methodology. Refer to Notes 11 and 17.

15. Commitments and Contingencies

(a) 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.

(b) Upon implementation of the Plan, all liabilities subject to compromise were extinguished on December 19, 2016 with the exception of one unresolved claim in the amount of approximately $3.0 million which has been rejected and remains in dispute. The Company has not recognized the unresolved claim as a liability as the outcome of the claim is not determinable at this time and the full amount of the unresolved claim is treated as a contingent liability.

16. Sale of Equipment

The Company sold various surplus equipment for cash proceeds during the years ended March 31, 2017 and 2018. The carrying value of the equipment sold during the year ended March 31, 2017 had been previously fully impaired. The equipment sold during the year ended March 31, 2018 had been previously subjected to a reversal of impairment and had been transferred into assets held for sale.

	Year ended March 31, 2018	Year ended March 31, 2017
Proceeds of sale	$ 1,052,462	$ 376,555
Carrying value of equipment sold	(1,052,462)	-
Gain on sale	$ -	$ 376,555

The proceeds of sale recognized in the year ended March 31, 2018 include a deposit of $350,000 which was received in the year ended March 31, 2017.

17. Impairments

	Year ended March 31, 2018	Year ended March 31, 2017
Mineral property interests		
Impairment reversal	$ -	$ 26,999,999
(Impairment)	-	(19,999,999)
Property, plant and equipment		
Impairment reversal	462,461	590,001
Accounts receivable and prepaid expenses		
Impairment	(14,295)	-
Net impairment reversal	$ 448,166	$ 7,590,001

The Company carried out impairment assessments in the years ended March 31, 2017 and 2018 in accordance with the Company's accounting policies and as required by IFRS and IAS 36.

In December 2016, in connection with completion of the Plan of Arrangement and the issue of shares in the Company's subsidiary LIM and in RoyaltyCo, the Company recorded an impairment reversal of mineral property interests in the amount of $26,999,999, prior to taking into consideration the effect of the newly granted royalty valued at $7,000,000, based on management's estimate of the fair value of the Company's projects using various valuation approaches, including comparative market transactions and a discounted cash flow methodology, resulting in an adjusted net carrying value of $20,000,000 for such mineral property interests as at December 31, 2016. Refer to Note 8.

In accordance with the Company's accounting policies, the carrying value of the mineral property interests was assessed for impairment as at March 31, 2017. As required by IFRS and IAS 36, the year end impairment assessment took into consideration economic conditions prevailing at and throughout the assessment period subsequent to year end. Although the iron ore price was US$80 per tonne at March 31, 2017, the iron ore price declined to an average of approximately US$65 per tonne during the April to July 2017 period in which the year end impairment assessment was conducted. Accordingly, based on the market conditions prevailing during the assessment period, an impairment of $19,999,999 on mineral property interests was recorded effective March 31, 2017.

In its March 31, 2017 year end impairment assessment, the Company's discounted cash flow model assumed annual production from the Houston Project of approximately 2.0 million tonnes of saleable iron ore product for ten years at the iron ore price of US$65 per tonne (62% Fe CFR China basis) prevailing during the assessment period using a risk-adjusted discount rate of 15% and a CAD/US exchange rate of 0.75.

The fully impaired carrying value of the Company's mineral property interests was assessed as at March 31, 2018. As the iron ore price averaged approximately US$65 per tonne during the assessment period subsequent to year end, no revision to the fully impaired carrying value was recognized as at March 31, 2018.

As at March 31, 2017, certain surplus plant equipment that was previously fully impaired was reclassified as being held for sale, due to the pending sale of such equipment. This reclassification resulted in the surplus equipment being measured at fair value less costs to sell, which, based on pending sales terms, resulted in an impairment reversal of $590,001. Refer to Note 6.

During the year ended March 31, 2018, certain additional surplus plant equipment that was previously fully impaired was also reclassified as being held for sale, prior to the sale of such equipment. This reclassification resulted in such specific surplus equipment being measured at fair value less costs to sell, which, based on sales terms, resulted in an impairment reversal of $462,461. All of this additional reclassified surplus equipment was sold during the year ended March 31, 2018. Refer to Note 6.

As outlined in its accounting policies the Company generally 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, less an amount for costs to sell, estimated based on similar past transactions.

17. Impairments (continued)

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 estimation 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, a discount rate, as well as economic factors beyond the Company's control, particularly iron ore prices 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. Refer to Notes 8 and 9.

Significant judgments and assumptions are required in making estimates of fair value in accordance with IFRS. 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. Any fair value estimate may not be representative of actual net realizable value in an actual transaction.

18. Restructuring Recovery

Restructuring recovery represents the net impact of expenses, transactions, provisions and write-offs directly associated with the restructuring of the Company during the CCAA Period.

	Year ended March 31, 2018	Year ended March 31, 2017
Claims adjustments (a)	-	(8,460,435)
Contract recoveries (b)	-	716,353
Professional fees (c)	-	(856,584)
Write-off of compromised liabilities (d)	-	324,226,805
Restructuring recovery	-	$ 315,626,139

(a) Claims adjustments represents the net impact on liabilities subject to compromise resulting from settlements (other than disclaimed contracts) under the claims assessment process.

(b) Contract recoveries represents the net benefit of the terms of contract settlements (other than disclaimed contracts).

(c) Professional fees represents the cost of legal and financial professional advisors and court filing costs associated with the Company's CCAA proceedings.

(d) Write-off of compromised liabilities represents the value of compromised liabilities extinguished in excess of the attributed value of consideration issued to settle such compromised liabilities upon implementation of the Plan. Refer to Notes 14 and 19.

19. Related Party Transactions

On December 19, 2016, as the first step of the Plan, LIM acquired 362,800 common shares of SMI, representing 100% of SMI, from LIMH. LIM issued 185,900 common shares (prior to reflecting a 1 for 17 subdivision of LIM common shares) to LIMH as consideration for the acquisition. As at that date, SMI had $21,280,678 of advances payable to LIMH.

As at March 31, 2016 LIM had advances of $2,440,573 receivable from SMI. The full balance was considered impaired at that date and was compromised and extinguished under the Plan on December 19, 2016.

On December 19, 2016, a total of $268,955,478 of advances from LIMH payable by LIM and a total of $21,280,678 of advances from LIMH payable by SMI were compromised and extinguished under the Plan.

During the year ended March 31, 2018 LIMH provided management services at cost in the amount of $815,232 to LIM. In addition to the payment for such management services (other than $36,589, which remained payable as at March 31, 2018), during the year ended March 31, 2018 the Company advanced a net amount of $346,404 (2017 - ($2,457,059)) to (from) LIMH.

As at March 31, 2018, $828,342 (2017 - $445,349) was receivable on a net basis by the Company from LIMH and its wholly-owned subsidiary Centre Ferro Limited (“CF”). Effective December 19, 2016, LIMH and CF agreed to offset any amounts owing to the Company. The amounts are unsecured, non-interest bearing and due on demand.

During the year ended March 31, 2018, the Company incurred legal fees in respect of services provided by a professional corporation controlled by an officer in the amount of $Nil (2017 - $202,042).

Refer also to Note 14.

20. Compensation of Key Management Personnel

The remuneration of directors and other key management personnel during the years ended March 31, 2017 and 2018 was as follows:

	Year ended March 31, 2018	Year ended March 31, 2017
Short-term compensation (i)	$ 168,587	$ 687,455

(i) In accordance with IAS 24, short-term compensation includes salaries, bonuses and allowances, employment benefits and directors’ fees. No bonuses, allowances or directors’ fees were paid in either year. 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.

21. Financial Instruments

Fair Value Hierarchy

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

(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, 2017 and 2018, 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 on the statement of financial position approximate fair value because of the limited term of the instruments. Refer to Note 14.

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, 2017 and 2018.

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, 2018, 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. As at March 31, 2018, $828,342 was receivable on a net basis by the Company from LIMH and its wholly-owned subsidiary CF. Effective December 19, 2016, LIMH and CF agreed to offset any amounts owing to the Company. The amounts are unsecured and non-interest bearing. The carrying amount of financial assets represents the Company's maximum credit exposure.

ii) Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they come due. As at March 31, 2018, the Company had working capital of $691,452. The Company believes it will be able to settle its current obligations from the proceeds of sale of surplus assets. Refer to Note 1.

21. Financial Instruments (continued)

Financial risk management (continued)

iii) Foreign currency risk

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

Revenue from any future sales of iron ore will be 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 income for the year ended March 31, 2018 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the year ended March 31, 2018 had been 100 basis points higher (lower) then net income would have been approximately $1,500 higher (lower). 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. The Company had no sales of iron ore during the years ended March 31, 2017 and 2018.

22. 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% (2017 - 27%) were as follows:

a) Provision for Income Taxes

	Year ended March 31, 2018 $	Year ended March 31, 2017 $
Net (loss) income before income taxes	(430,685)	321,504,049
Expected income tax (recovery) expense based on statutory rate	(117,000)	87,541,000
Adjustment to expected income tax benefit due to:		
Permanent differences	-	1,000
Change in benefit of tax assets not recognized	117,000	(87,542,000)
Deferred income tax provision	-	-

b) Deferred Income Tax Balances

Unrecognized Deferred Tax Assets

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

	March 31, 2018 $	March 31, 2017 $
Non-capital loss carry-forwards	232,652,000	222,757,000
Capital losses	659,000	659,000
Property, plant and equipment	26,250,000	36,284,000
Mineral property costs	35,755,000	35,755,000
Reclamation	2,253,000	2,402,000

The non-capital loss carry-forwards of approximately $232,652,000 expire from 2033 to 2038. 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.

23. Repayable Advance

In May 2013, the Company entered into an arrangement with RBRG, pursuant to which RBRG provided a repayable advance of US$35,000,000 against the sale of future iron ore production by the Company.

The repayable advance balance was included in liabilities subject to compromise and was extinguished under the Plan on December 19, 2016.

	Year ended March 31, 2018	Year ended March 31, 2017
Balance, beginning of year	$ -	$ 31,526,588
Claim adjustment	-	8,392,834
	-	39,919,422
Less amount included in liabilities subject to compromise	-	(39,919,422)
Balance, end of year	$ -	$ -

Refer to Notes 1, 2, 14 and 18.

24. Finance Lease Obligation

In 2012 the Company entered into a lease agreement for a mine camp expansion.

Effective June 1, 2016, the Company and the lessor amended the lease agreement suspending remaining lease payments and providing the Company with a two year option to reactivate the lease, resulting in a restructuring recovery of $518,769. The Company did not exercise its option to reactivate the lease. The Payments due on the lease as at May 31, 2016 were transferred to liabilities subject to compromise and were extinguished under the Plan on December 19, 2016.

The Company had used an incremental borrowing rate of 11% in determining the value of the finance lease obligation.

	Year ended March 31, 2018	Year ended March 31, 2017
Balance, beginning of year	$ -	$ 895,361
Less amount included in liabilities subject to compromise	-	(376,592)
Restructuring recovery	-	(518,769)
Balance, end of year	$ -	$ -

Refer to Notes 1, 2, 14 and 18.