Labrador Iron Mines Limited

Annual Report

& Consolidated Financial Statements

Financial Year Ended March 31, 2017

Notice of Annual Meeting of Shareholders December 18, 2017

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 Monday, the 18th day of December, 2017 commencing at 11:00 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, 2017, 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 November, 2017.

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, 2017 and the Report of the Directors to shareholders accompany this Notice of Annual Meeting and are also available on the Corporation's website at www.labradorironmines.ca.

OVERVIEW

The fiscal year ended March 31, 2017 saw significant accomplishments for Labrador Iron Mines Limited ("LIM").

LIM started 2016 in a very difficult financial situation. Historically, the price of iron ore reached an all-time low of US$37 in December of 2015. LIM had third party liabilities of $66 million and significant continuing contractual obligations. In response to weak market conditions, hard decisions had to be taken to ensure the survival of the group and preserve the long-term future of their iron ore assets and operations.

On April 2, 2015, LIM, together with Schefferville Mines Inc. ("SMI") and its parent company Labrador Iron Mines Holdings Limited ("LIMH") (collectively, the "LIM group"), instituted proceedings in the Ontario Superior Court of Justice for a financial restructuring by means of a plan of compromise or arrangement under the Companies' Creditors Arrangement Act ("CCAA") to provide an opportunity for the orderly restructuring of the Company's business and financial affairs.

The initial assessment by the Board of Directors was that there would be no residual value for creditors in a liquidation of assets or in a bankruptcy which would result in no return to stakeholders. This assessment was shared by the Monitor who had been appointed by the Court.

A five-year strategic plan, under various scenarios, was developed, covering the years 2016 – 2020, for a Court sanctioned Plan of Arrangement to settle all outstanding liabilities, successfully exit from the CCAA proceedings and place the group and its projects on a firm footing with a five year runway in a position to restart mining operations upon a recovery in the iron ore price, while providing creditors with the hope of some recovery through an equity participation in LIM's assets and business.

The focus during fiscal year 2017 was to implement a financial restructuring that would enable the group to emerge with a viable business in the most favourable position to continue as a going concern. This involved challenging negotiations with major contract counterparties and suppliers and more than 100 creditors.

PLAN OF ARRANGEMENT – FINANCIAL RESTRUCTURING

The Plan was designed to restructure the LIM group's business to preserve its mining assets, permit LIM to continue its site activities in a standby mode in the near term, preserve a significant portion of the group's tax losses and to position LIM to refinance an orderly resumption of its iron ore mining activities when the price of iron ore and economic conditions warrant.

The Plan was put forward in the expectation that all creditors, stakeholders and other persons with an economic interest in the LIM group would derive a greater benefit from the implementation of the Plan than would result from a bankruptcy or immediate liquidation of assets.

The principal terms of the Plan were to convert the debts of LIM and SMI into equity of LIM. In addition, creditors of LIM and SMI received shares in Houston Iron Royalties Limited ("RoyaltyCo"), a newly-formed corporation that now has the right to receive a royalty equal to 2% of the sales proceeds (FOB Port of Sept-Îles) received by LIM from sales of iron ore from LIM's Houston and SMI's Malcolm properties.

In addition, the intercompany claims of parent company LIMH against LIM and SMI, which totalled approximately $290 million and were largely the result of LIMH funding LIM's operations, were extinguished and LIMH's existing 100% equity interest in LIM was diluted and reduced to a 51% equity interest. Absent LIMH's agreement in this regard, LIMH would otherwise have been entitled to recover significantly more than 51% of the Plan consideration. LIMH also elected not to receive any shares of RoyaltyCo. The effect of these agreements by LIMH was to materially increase recoveries for arms' length creditors.

A total of 102 third party claims were submitted to the group under the CCAA claims process, totalling $93 million, of which $75 million were accepted and settled under the Plan. The Plan of Arrangement was approved by all except one creditor of LIM, and approved by the Court. As a result of implementation of the Plan, LIMH holds 51% of the shares of LIM and creditors of LIM and SMI hold, as a group, a 49% equity interest in LIM and a 100% interest in RoyaltyCo. Approximately 50 creditors with claims of $5,000 or less, or creditors with larger claims who elected to reduce their claims to $5,000, were paid in full, in cash.

Today, LIM holds directly, and through its wholly owned subsidiary SMI, all of the group's mineral properties and assets.

LIMH now has only one principal asset, namely its 51% equity interest in LIM.

As a result of the successful completion of the Plan of Arrangement in December 2016, LIM's financial situation improved significantly. The LIM group has been transformed from having almost $100 million in debt claims and liabilities to being debt free, while retaining all its important assets.

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The Board of Directors would like to recognise the hard-work and exceptional performance of LIM's management in successfully completing the Plan of Arrangement, and exiting CCAA in just 20 months. The Board would also like to thank the creditors for supporting the Plan and welcome them as shareholders.

HOUSTON PROJECT

LIM's iron ore projects now consist of the Houston property and, subject to further exploration and development, other iron ore properties in the vicinity of Schefferville, including the Elizabeth taconite deposit.

Houston, which is LIM's principal asset, is situated in Labrador about 25 kilometres ("km") southeast of the town of Schefferville, Quebec. Together with the Malcolm deposit, considered to be its northwest extension, Houston is estimated to contain a National Instrument 43-101 ("NI 43-101") resource of 40.6 million tonnes grading 57.6% iron ("Fe").

Planning for the development of the Houston Project continues, although such planning is limited to the use of internal resources. The original Houston development plan was revised in response to lower iron ore prices and in order to reduce upfront capital. 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 to 3 million tonnes per year, with an initial mine-life of 8 to 10 years. The capital investment to put Houston into production, with a projected ten-year mine life, 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 development financing, LIM is now positioned to resume mining operations as soon as the price of iron ore and economic conditions warrant.

PROPERTY CARE AND MAINTENANCE

LIM's current operational activities focus on care and maintenance of its mineral properties and assets.

Notwithstanding the challenging financial environment during the past several years, LIM continued to conduct a variety of 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.

During the past two years, we conducted the field programs required to maintain our mineral claims in good standing although a number of non-core mineral claims have been dropped or surrendered.

Progressive rehabilitation work at the James Mine has been completed. The open pit is now flooded with natural water, as planned, and water is discharging by way of a reclaimed tributary. The rehabilitation work included placement of overburden and organic material on the settling pond area, waste rock stockpile and treat rock stockpile. We also completed vegetation work in the James Mine area and completed a geotechnical study to assess the waste rock stockpile stability. We also carried out an environmental site assessment as well as concluding an evaluation of the Redmond Creek fish habitat replacement.

LIM continues to fulfill all its environmental regulatory and reporting requirements, which principally relate to maintaining acceptable water quality and fish habitat conditions in the lakes and tributaries surrounding the James Mine.

LIM continued its efforts to offset operating costs by the sale of surplus non-core assets and equipment and by generating third party income from otherwise idle property and equipment. Such initiatives include the development of a rail car repair and refurbishment business at the Centre Ferro facility in Sept-Iles, Quebec. LIM has succeeded in reducing its ongoing care and maintenance costs significantly, while at the same time completing required reclamation activities.

The asset sales concluded or contemplated include: maintenance facilities and other real property located in Schefferville and Sept-Îles, miscellaneous production equipment, rail sidings and non-core capital assets; and interests in various iron ore deposits.

IRON ORE PRICE

Let me remind shareholders that LIM's direct shipping iron ore ("DSO") projects were conceived and developed in 2010 and 2011 in an environment of much higher iron ore prices. For example, when certain service and supply contracts were signed in March 2011, the price of iron ore was around US$190 per tonne CFR China compared to the current price of US$60 per tonne CFR China.

Since the beginning of 2014, the price of iron ore has declined 55% to US$60 per tonne (62% Fe fines on a CFR China basis), compared to an average price of US$135 per tonne in 2013 and US$97 per tonne in 2014.

Historically, the price of iron ore reached an all-time high of US$191 in February of 2011 and a low of US$37 in December of 2015. The steep decline in the price of iron ore in the period since 2013 has been attributed to the substantial increase in production by the world's top iron ore producers in Australia and Brazil.

The iron ore market continues to be very volatile. Driven by increased Chinese demand, the price of iron ore doubled in 2016, reaching a two-year high of US$80 per tonne (62% Fe CFR China basis) by the end of the year. In early 2017 the price continued to rise, peaking at US$97 per tonne in February 2017, its highest level since mid-2014. However, by mid- 2017 the iron ore price had declined to a low of US$55 per tonne, before recovering to US$75 per tonne subsequent to quarter end and then down again to about US$60 per tonne currently.

It is anticipated that the supply surplus will continue to grow to potentially over 100 million tonnes in 2017. Hancock Prospecting's new Roy Hill mine in Australia has started commercial production, contributing another 50 million tonnes per annum to the supply side.

However, lower prices have forced the closure of higher cost domestic Chinese producers. The resultant shortfall in Chinese domestic production is currently being displaced by lower cost Australian imports.

The large producers have been able to remain profitable in spite of depressed iron ore prices because of lower production costs and have defended the strategy of boosting production, arguing that if they backed off competitors would take market share. However, they have been criticized for intentionally oversupplying the market to suppress iron ore prices to drive smaller producers out of business. The top four producers are re-asserting their status as an oligopoly in the market and this dominant position is forecast to increase to 75% within the next two years and will hopefully result in more disciplined supply growth and less volatility in market prices.

The market outlook for iron ore remains uncertain. Robust steel production and iron ore demand from China have underpinned the iron ore price over the past ten years. China's increasing steel intensity (steel usage per capita) has been driven by rapid economic growth and continued urbanization, leading to significant increases in the rate of residential construction, public infrastructure development and durable goods production. Demand for steel, and thus for iron ore, is largely dependent on economic and infrastructure growth in China. Despite an economic slowdown, it would seem that Chinese steel production continues to increase and China will need to import more iron ore to replace the shutdown of domestic production, which should help iron ore price stability.

While the current consensus of industry analysts is that the iron ore spot price is anticipated to be in the US$60 to US$70 per tonne range over the next two years, there is less consensus on the longer term price forecast.

FINANCIAL RESULTS – YEAR ENDED MARCH 31, 2017

The Audited Consolidated Financial Statements of LIM for the year ended March 31, 2017 are included with this report.

As part of the group's corporate reorganization, LIM acquired SMI under the Plan 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, 2017, LIM reported net income of $321.5 million, or $5.15 per share, mainly attributable to a restructuring recovery of $315.6 million and a net impairment reversal of $7.6 million, offset by site costs of $1.0 million and corporate and administrative costs of $1.1 million.

The restructuring recovery of $315.6 million represents the net impact of expenses, transactions and recoveries that were directly associated with the restructuring of LIM under CCAA, which was completed in December 2016. The restructuring recovery consisted of the write-off of $324.2 million of compromised liabilities, offset by professional fees of $0.9 million and adjustments to accepted claims of $7.7 million. The write-off represents the value of compromised liabilities extinguished under the Plan of Arrangement in excess of the attributed value of consideration issued to settle such compromised liabilities.

LIM's mineral property interests had been fully impaired in prior years due to then-prevailing economic conditions. In December 2016, in connection with completion of the Plan of Arrangement and the issuance of shares in LIM and the sale of a royalty to Houston Iron Royalties Limited, LIM recorded an impairment reversal of mineral property interests in the amount of $27.0 million, prior to taking into consideration the effect of the newly granted royalty valued at $7.0 million, based on management's assessment of the fair value of LIM's projects using various valuation approaches, including comparative market transactions and a discounted cash flow methodology, resulting in an adjusted net carrying value of $20.0 million for such mineral property interests as at December 31, 2016.

In accordance with LIM's accounting policies the carrying value of its mineral property interest was assessed for impairment as at year end March 31, 2017. In accordance with International Financial Reporting Standards ("IFRS") the year end assessment took into consideration economic conditions prevalent as at and subsequent to year end. Based on an estimate of the asset's recoverable amount using lower iron ore prices prevailing during the assessment period subsequent to year end, an impairment of $20.0 million was recorded effective March 31, 2017.

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. From a corporate perspective, LIM has been focused on its financial restructuring efforts, which culminated in approval and implementation of the Plan of Arrangement in December 2016.

As at March 31, 2017, LIM had a positive working capital balance of $0.9 million and has no current or long-term bank debt. 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 intends to fund its ongoing site standby and general corporate and administrative activities from the proceeds of sale of surplus non-core assets and equipment.

LABRADOR TROUGH OVERALL RESTRUCTURE

All Canadian iron ore producers in the Labrador Trough have felt the impact of lower iron ore prices. There is a need for a rethink and restructuring of the iron ore business in the Labrador Trough in order for Canada to remain competitive globally. This is largely a function of infrastructure: transport and power. While extensive and existing infrastructure is in place, access to this infrastructure at reasonable commercial terms remains a huge challenge. Access to infrastructure is key to bringing down high costs.

It is difficult to compete globally if more than two thirds of operating costs are incurred on power, transport and ocean freight. To operate economically in this market environment, iron ore projects in Canada, including the Company's Schefferville Projects, need to reduce costs to be competitive. Canada is on the opposite side of the world from the main iron ore market in China. Australia not only has a huge ocean freight advantage shipping to China, but Australian operating costs are generally lower than Canadian costs.

New infrastructure and investment will allow us to develop and operate our projects more effectively and cheaply. Both government participation and private sector investment is crucial to the establishment of necessary infrastructure. These investments are too big for any single mining company and, in my opinion, rightfully the responsibility of Government, which is in the best position to accomplish this and the country is ultimately the long-term beneficiary.

In the past year there have been some notable improvements in infrastructure at the Port of Sept Iles. Investissement Quebec, the investment arm of the Government of Quebec, purchased Cliffs' port assets at the Pointe Noire area of the Port of Sept-Iles for a purchase price of $68 million, plus the assumption of environmental liabilities.

The port assets were subsequently transferred to Société Ferrovaire et Portuaire de Pointe Noire, (a public private partnership) which now includes Tata Steel Minerals Canada and Champion Iron and which LIM has been invited to join. These port assets 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 QNSL railroad of IOC, which in turn connects the Port to Labrador City and, via the TSH railway, to Schefferville.

Also in 2016, the Government of Quebec made a financial contribution of $175 million to Tata Steel Minerals Canada to support the achievement at Schefferville of a direct shipping iron ore project (DSO project) which will help Plan Nord succeed by promoting, amongst others, transshipment activities in the Port of Sept-Îles where Tata Steel Minerals Canada is the first mining company to use the rail and port assets of the Pointe Noire area, acquired by Société Ferrovaire et Portuaire de Pointe Noire.

At the new multi-user deep water dock the Port of Sept-Iles is connecting the new multi-user dock by installing a new conveyor system. Completion of this project at a cost of $15 million is anticipated in February 2018.

NEAR-TERM FOCUS

LIM owns extensive iron ore resources, processing plant and equipment and rail infrastructure and facilities in its Schefferville Projects. LIM's current operational activities focus on care and maintenance of its mineral properties and assets. LIM is cognizant that its operations will need to be funded on a care and maintenance basis. In that regard, we have identified surplus assets to be sold on an orderly basis in order to cover stand-by reclamation and operating costs for a two year period.

LIM does not plan to develop the Houston Project until market conditions improve. There is currently no indication that the iron ore market is likely to materially improve in the short to medium term and it is likely to be a number of years before market conditions improve such that the value of LIM's existing assets may improve significantly or where it may be possible to extract value from a joint venture or sale.

To have a viable economic operation LIM needs a higher iron ore price and needs to "re-set" its projects. LIM is pursuing longer term strategic initiatives aimed at necessary permanent structural reductions in operating costs and revenue deductions. These include: focusing on dry processing only for its DSO projects, maintaining product quality, improving recoveries, alternative port arrangements at Sept-Iles, sharing facilities with other companies and developing alternative destination markets with lower freight costs for LIM's products.

LIM negotiated the suspension of most of its major commercial contracts and agreements. In general, these contracts and agreements have not been terminated, but rather the ongoing commitments have been suspended until mining operations resume. LIM is therefore seeking to negotiate revised commercial terms with its major contractors and suppliers. Operating cost saving initiatives are required across the board, including with respect to mining costs, rail transportation, fuel procurement, aviation services, hydro-electric power, human resources and manpower and corporate and administration costs.

LIM needs to secure additional financial resources to fund the development of our Houston project. However, there are no assurances that the Company will be successful in obtaining any required financing. If LIM is unable to successfully obtain adequate additional financing, it will be required to curtail all operations and development activities.

Finally, we would like to thank all our stakeholders: Directors, employees, contractors, suppliers, governments, local communities and our shareholders for their continuing support.

On behalf of the Board of Directors

John F. Kearney
Chairman

November 24, 2017

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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, 2017 and 2016, and the consolidated statements of operations and comprehensive income (loss), consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Labrador Iron Mines Limited and its subsidiary as at March 31, 2017 and 2016, 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 develop its mineral property and for working capital purposes. 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

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 24, 2017

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

	March 31, 2017	March 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 40,939	$ 18,330
Restricted cash (Note 7)	378,025	-
Accounts receivable and prepaid expenses (Notes 5 and 22)	226,043	217,770
Due from Labrador Iron Mines Holdings Limited (Note 22)	445,349	-
Assets held for sale (Note 6)	590,001	-
Total current assets	$ 1,680,357	$ 236,100
Non-current assets		
Restricted cash (Note 7)	2,495,991	2,877,029
Mineral property interests (Notes 8 and 20)	1	1
Property, plant and equipment (Notes 9, 19 and 20)	95,331	1,500,000
Due from Labrador Iron Mines Holdings Limited (Note 22)	-	701,116
Total non-current assets	2,591,323	5,078,146
Total assets	$ 4,271,680	$ 5,314,246
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 10, 15 and 22)	$ 398,957	$ 344,160
Prepayment on sale of equipment (Note 19)	350,000	-
Finance lease obligation (Note 12)	-	518,769
Rehabilitation provision (Note 14)	54,000	18,000
Current liabilities, before the undernoted	802,957	880,929
Liabilities subject to compromise (Notes 11, 12, 15, 17 and 21)	-	331,862,328
Total current liabilities	802,957	332,743,257
Non-current liabilities		
Rehabilitation provision (Note 14)	2,348,006	2,754,421
Total non-current liabilities	2,348,006	2,754,421
Total liabilities	3,150,963	335,497,678
SHAREHOLDERS' EQUITY		
Share capital (Note 16)	32,732,207	22,932,107
Deficit	(31,611,490)	(353,115,539)
Total shareholders' equity	1,120,717	(330,183,432)
Total liabilities and shareholders' equity	$ 4,271,680	$ 5,314,246

Going concern (Note 1)
Commitments and contingencies (Note 18)

The financial statements were approved by the Board of Directors on November 24, 2017 and signed on its behalf by:

Signed *"John F. Kearney"*
Director

Signed *"Richard Pinkerton"*
Director

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

LABRADOR IRON MINES LIMITED
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian dollars)

	Year ended March 31, 2017	Year ended March 31, 2016
Operating expenses		
Site and camp operations	$ (941,250)	$ (558,150)
Depreciation (Note 9)	(1,254)	-
Loss before the undernoted	(942,504)	(558,150)
Corporate and administrative costs	(1,143,897)	(1,401,374)
Interest on finance lease (Note 12)	-	(87,298)
Accretion (Note 14)	(26,048)	(19,315)
Unrealized foreign exchange gain	-	281,566
Gain on sale of equipment (Note 19)	376,555	700,000
Rail construction advance settlement (Note 9)	-	5,000,000
Rehabilitation provision recovery (Note 14)	-	439,919
Impairment reversal (impairment) (Notes 8 and 20)	7,590,001	(6,000,000)
Interest earned	23,803	25,909
	6,820,414	(1,060,593)
Net income (loss) before the undernoted	5,877,910	(1,618,743)
Restructuring recovery (Note 21)	315,626,139	58,236
Net income (loss) before income taxes	321,504,049	(1,560,507)
Deferred income tax (Note 25 (a))	-	-
Comprehensive income (loss) for the year	$ 321,504,049	$ (1,560,507)
Earnings (loss) per share		
Basic and diluted	$ 5.15	$ (0.03)
Weighted average number of shares outstanding		
Basic and diluted (Note 16) (Retroactively reflecting a 1 for 17 subdivision of shares) (Note 16)	62,416,003	47,839,700

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, 2017	Year ended March 31, 2016
Cash (used in) operating activities		
Net income (loss) for the year	$ 321,504,049	$ (1,560,507)
Items not involving cash		
Depreciation	1,254	-
Accretion on rehabilitation provision (Note 14)	26,048	19,315
Interest on finance lease obligation (Note 12)	-	87,298
Accrued interest	3,013	17,671
Unrealized foreign exchange (gain)	-	(281,566)
Gain on sale of equipment (Note 19)	(376,555)	(700,000)
Rail construction advance settlement	-	(5,000,000)
Net impairment (reversal) (Note 20)	(7,590,901)	6,000,000
Restructuring (recovery) (Note 21)	(315,626,139)	(470,133)
Rehabilitation provision (recovery) (Note 14)	-	(439,919)
Changes in working capital	(1,101,774)	(706,424)
Cash (used in) operating activities	(3,161,005)	(3,034,265)
Cash provided by investing activities		
Proceeds from sale of equipment (Note 19)	376,555	700,000
Deposit on sale of equipment (Note 19)	350,000	-
Release of non-current restricted cash	-	343,535
Cash provided by investing activities	726,555	1,043,535
Cash (used in) financing activities		
Advances by Labrador Iron Mines Holdings Limited (Note 22)	2,457,059	2,529,483
Repayment of finance lease obligation (Note 12)	-	(543,366)
Cash (used in) financing activities	2,457,059	1,986,117
Change in cash and cash equivalents	22,609	(4,613)
Cash and cash equivalents, beginning of year	18,330	22,943
Cash and cash equivalents, end of year	$ 40,939	$ 18,330
Cash and cash equivalents consist of:		
Cash	$ 40,939	$ 18,330

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, 2015	2,814,100	$ 22,932,107	$ (351,555,032)	$ (328,622,925)
Loss for the year	-	-	(1,560,507)	(1,560,507)
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 17)	185,900	100	-	100
Balance, prior to 1 for 17 subdivision of LIM common shares under the Plan (Note 17)	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 17)	51,000,000	$ 22,932,207	$ (353,115,539)	$ (330,183,332)
Distribution of LIM common shares to creditors under the Plan (Note 17)	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

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 under the plan of arrangement and compromise, as described below. Refer also to Note 17.

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 did not conduct mining operations, other than site maintenance and standby activities, during the years ended March 31, 2016 and 2017, primarily due to the prevailing low price of iron ore.

In December 2016, the Company completed a financial restructuring 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 Labrador Iron Mines Holdings Limited ("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)

The principal purposes of the Plan were to convert the debts of parent company LIMH into equity of LIMH and the debts of subsidiaries LIM and SMI into equity of LIM and equity of Houston Iron Royalties Limited ("RoyaltyCo"). RoyaltyCo is a newly-formed corporation that has 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.

As a result of implementation of the Plan, the intercompany claims of LIMH against LIM and SMI (which arose as a result of LIMH funding the operations of LIM and SMI) were extinguished and LIMH's existing 100% equity interest in LIM was diluted to a 51% equity interest and creditors with claims against LIM or SMI (other than those with Convenience Claims) acquired, as a group, a 49% equity interest in LIM. In addition, creditors of LIM or SMI also acquired a 100% equity interest in RoyaltyCo.

In addition, creditors with claims against LIMH (other than those with Convenience Claims) acquired, as a group, a 22% equity interest in LIMH.

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 17 and 21.

Going Concern

On April 2, 2015, the Company instituted proceedings for a financial restructuring by means of a plan of compromise or arrangement under the CCAA. In December 2016, the Company's Plan was approved and implemented and the Company's liabilities subject to compromise were extinguished.

As at March 31, 2017, subsequent to implementation of the Plan, the Company had working capital of $877,400. 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, 2017 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, 18(b) and 21.

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 20.

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, 2016 and 2017 the Company completed impairment assessments of its mineral property interests based on a discounted cash flow analysis. Refer to Notes 8 and 20.

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 14.

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 18.

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 distinguish 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 21.

Expenses and provisions that can be directly associated with the CCAA restructuring have been reported separately in the consolidated statement of operations and comprehensive income (loss) as restructuring items. Refer to Note 21.

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)

Company as lessee

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

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

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

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, 2016 and 2017, 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.

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 income (loss).

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

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.

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, 2016 and 2017.

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.

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 income (loss).

Onerous contracts

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

Revenue Recognition

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

Earnings (loss) per share

Earnings (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The diluted earnings (loss) per share calculation excludes the conversion of options and warrants that would increase earnings per share or decrease (loss) per share. All stock options and warrants outstanding during the years ended March 31, 2016 and 2017 were anti-dilutive.

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.

Recent accounting pronouncements

During the year ended March 31, 2017, 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, 2017 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.

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. Earlier adoption is permitted.

IFRS 15 - Revenue From Contracts With Customers (“IFRS 15”) proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

(Expressed in Canadian dollars)

4. Significant Accounting Policies (continued)

Recent accounting pronouncements

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, 2017	March 31, 2016
Accounts receivable	$ 87,708	$ 81,791
Refundable taxes	28,257	7,412
Prepaid expenses	110,078	128,567
	$ 226,043	$ 217,770

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 the Company classified certain surplus plant equipment as assets held for sale. The Company has entered into an agreement to sell the surplus plant equipment, which is expected to close within twelve months of the reporting date. Refer to Notes 9, 19 and 20.

	Year ended March 31, 2017	Year ended March 31, 2016
Opening balance	$ -	$ -
Additions:		
Plant and equipment (Note 20)	590,001	-
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, 2017	March 31, 2016
Current portion	$ 378,025	$ -
Non-current portion	2,495,991	2,877,029
	$ 2,874,016	$ 2,877,029

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 has been estimated at $7,000,000, based on management's estimate of the fair value of the royalty, principally based on a discounted cash flow methodology.

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.

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.

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.

In accordance with the Company's accounting policies, the carrying value of the mineral property interests was assessed for impairment as at year end 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.

Refer to Notes 13 and 20.

(Expressed in Canadian dollars)

8. Mineral Property Interests (continued)

The Company's mineral property assets are as follows:

Cost at:	**Mineral property interests $**
March 31, 2015 and 2016	1
Impairment reversal (Note 20)	26,999,999
Impairment (Note 20)	(19,999,999)
Grant of royalty (Note 13)	(7,000,000)
March 31, 2017	1
Accumulated depletion and depreciation:	
March 31, 2015, 2016 and 2017	-
Net book value at:	
March 31, 2016	1
March 31, 2017	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, 2015	-	10,571,243	-	10,571,243
Impairments	-	(6,000,000)	-	(6,000,000)
March 31, 2016	-	4,571,243	-	4,571,243
Addition	96,585	-	-	96,585
Disposal	-	(1,500,000)	-	(1,500,000)
Impairment reversal (Note 20)	-	-	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
Accumulated Depreciation at:				
March 31, 2015	-	(3,071,243)	-	(3,071,243)
Depreciation	-	-	-	-
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)
Net Book Value at:				
March 31, 2016	-	1,500,000	-	1,500,000
March 31, 2017	95,331	-	-	95,331

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

(Expressed in Canadian dollars)

9. Property, Plant and Equipment (continued)

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 17.

During the year ended March 31, 2016 the Company recorded an impairment charge of $1,000,000 against the carrying value of its fleet of railcars, reflecting a decline in resale and recycle market conditions for used industrial railcars. Following the sale of the Company's remaining interest in the Howse Deposit to Tata Steel Minerals Canada Limited in March 2015, the Company recorded an impairment charge of $5,000,000 against the full carrying value of the rail track as the asset is not in use. Refer to Note 20.

10. Accounts Payable and Accrued Liabilities

	March 31, 2017	March 31, 2016
Trade payables and accruals	$ 387,823	$ 332,197,674
Sales taxes and statutory liabilities	11,134	8,814
	398,957	332,206,488
Less amounts included in liabilities subject to compromise	-	(331,862,328)
	$ 398,957	$ 344,160

Refer to Notes 1, 2, 15, 17 and 21.

11. 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, 2017	Year ended March 31, 2016
Balance, beginning of year	$ 31,526,588	$ 31,772,086
Claim adjustment	8,392,834	-
Unrealized foreign exchange (gain)/loss	-	(245,498)
	39,919,422	31,526,588
Less amount included in liabilities subject to compromise	(39,919,422)	(31,526,588)
Balance, end of year	$ -	$ -

Refer to Notes 1, 2, 15, 17 and 21.

(Expressed in Canadian dollars)

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

	Year ended March 31, 2017	Year ended March 31, 2016
Balance, beginning of year	$ 895,361	$ 1,351,429
Less: payments made during the year	-	(543,366)
Add: Interest accretion	-	87,298
	$ 895,361	$ 895,361
Less amount included in liabilities subject to compromise	(376,592)	(376,592)
Restructuring recovery	(518,769)	-
Balance, end of year	$ -	$ 518,769

Refer to Notes 1, 2, 15, 17 and 21.

13. 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 have been 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 17 and 20.

14. Rehabilitation Provision

Rehabilitation provision represents the legal and contractual obligations associated with the eventual closure of the Company's mining operations either progressively or at the end of the mine life. These obligations consist of costs associated with reclamation and monitoring activities and the removal of tangible assets from the Company's mining sites. During the year ended March 31, 2016 the estimate of the cost associated with the eventual closure of the Company's mining operations and removal of tangible assets from the Company's mine sites was reduced, based on updated rehabilitation and closure plans, progressive rehabilitation work completed and consultation with applicable regulatory authorities.

At March 31, 2017, the total undiscounted amount of the Company's rehabilitation provision is $2,421,234 and is expected to be incurred between calendar 2017 and 2031. The rehabilitation provision is recognized as $2,402,006 at March 31, 2017 using a discount rate of 1.7% and a long-term inflation rate of 1.5%.

(Expressed in Canadian dollars)

14. Rehabilitation Provision (continued)

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

	Year ended March 31, 2017	Year ended March 31, 2016
Balance, beginning of year	$ 2,772,421	$ 3,193,025
Rehabilitation expenditures incurred	(396,463)	(439,919)
Accretion	26,048	19,315
Balance, end of year	2,402,006	2,772,421
Less: current portion, end of year	(54,000)	(18,000)
Non-current portion, end of year	$ 2,348,006	$ 2,754,421

15. Liabilities Subject to Compromise

Liabilities subject to compromise were liabilities which were claims under the CCAA proceedings. The full balance of liabilities subject to compromise was extinguished under the Plan on December 19, 2016. Refer to Notes 1, 2, 10, 11, 12, 17, 18 and 21.

	March 31, 2017	March 31, 2016
Due to Labrador Iron Mines Holdings Limited	$ -	$ 266,754,186
Accounts payable and accrued liabilities	-	33,204,962
Repayable advance	-	31,526,588
Finance lease obligation	-	376,592
	$ -	$ 331,862,328

16. Share Capital

Authorized
Unlimited common shares, no par value

Issued	Shares #	Amount $
Balance March 31, 2015 and 2016	2,814,100	22,932,107
Common shares issued on December 19, 2016 to acquire SMI (Note 17)	185,900	100
Balance December 19, 2016 prior to subdivision of common shares on a one for seventeen basis (Note 17)	3,000,000	22,932,207
Balance December 19, 2016 after subdivision of common shares on a one for seventeen basis (Note 17)	51,000,000	22,932,207
Distribution of common shares to creditors (Note 17)	49,000,000	9,800,000
Balance March 31, 2017	100,000,000	32,732,207

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 17.

(Expressed in Canadian dollars)

17. Plan of Arrangement

The Plan was implemented under the Company's CCAA proceedings on December 19, 2016.

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

(a) the transfer of common shares of SMI from 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 parent company LIMH into equity of LIMH and the debts of subsidiaries 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 17(c) below.

Refer to Note 16.

(Expressed in Canadian dollars)

17. 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 is a newly-formed corporation that has 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.

The Plan created a framework that will permit the Company to sustain itself pending the recovery of iron ore prices, and provided creditors an opportunity to recover their debts through their equity participation in the future profits of the Company's business. The Plan was proposed by the Company in the expectation that creditors, stakeholders and other persons with an economic interest in the Company would derive a greater benefit from the implementation of the Plan than would result from a bankruptcy or immediate liquidation.

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. On December 19, 2016, the Plan was implemented, marking the final legal milestone in the Company's restructuring process.

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 also acquired 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. After implementation of the Plan, LIM's net asset value consists primarily of the value of its mineral property interests, which were estimated primarily using a discounted cash flow methodology. Refer to Notes 8 and 20. 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 13 and 20.

(Expressed in Canadian dollars)

18. 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.

19. Sale of Equipment

The Company has disposed of various surplus equipment for cash proceeds. The carrying value of such disposed equipment had previously been fully impaired.

	Year ended March 31, 2017	Year ended March 31, 2016
Proceeds of sale	$ 376,555	$ 700,000
Carrying value of equipment sold	-	-
Gain on sale	$ 376,555	$ 700,000

In addition to the above, in March 2017 the Company received a deposit of $350,000 on a pending sale of certain surplus plant and laboratory equipment.

20. Impairments

	Year ended March 31, 2017	Year ended March 31, 2016
Mineral property interests		
Impairment reversal	$ 26,999,999	$ -
(Impairment)	(19,999,999)	-
Property, plant and equipment		
Impairment reversal	590,001	-
(Impairment)	-	(6,000,000)
Impairment reversal (impairment)	$ 7,590,001	$ (6,000,000)

The Company carried out impairment assessments in the years ended March 31, 2016 and 2017 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 year end 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.

20. Impairments (continued)

In its 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.

As at March 31, 2017, certain surplus plant equipment that was previously fully impaired was reclassified as assets held for sale, due to the pending sale of such equipment. This classification 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, 2016 the Company recorded an impairment charge of $6,000,000 which was recognized against property, plant and equipment. This included an impairment charge of $1,000,000 against the carrying value of the Company's fleet of railcars, reflecting a decline in resale and recycle market conditions for used industrial railcars. In addition, following the sale of the Company's remaining interest in the Howse Deposit to Tata Steel Minerals Canada Limited, the Company recorded an impairment charge of $5,000,000 against the full carrying value of the rail track as the asset is not in use. Refer to Note 9.

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.

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.

(Expressed in Canadian dollars)

21. 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, 2017	Year ended March 31, 2016
Disclaimed contracts (a)	$ -	$ (35,054)
Claims adjustments (b)	(8,460,435)	505,187
Contract recoveries (c)	716,353	-
Professional fees (d)	(856,584)	(411,897)
Write-off of compromised liabilities (e)	324,226,805	-
Restructuring recovery	$ 315,626,139	$ 58,236

(a) Disclaimed contracts represents the value of claims which arose due to disclaimed contracts.

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

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

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

(e) 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 17 and 22.

22. 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.

During the year ended March 31, 2017 the Company received advances of $2,457,059 (2016 - $2,529,483) from LIMH. As at March 31, 2017, $Nil (2016 - $266,754,186) was payable by the Company to LIMH. 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.

As at March 31, 2017, $445,349 (2016 - $701,116) 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 have agreed to offset any amounts owing to the Company. The amounts are unsecured, non-interest bearing and due by March 31, 2018.

During the year ended March 31, 2017, the Company incurred legal fees in respect of services provided by a professional corporation controlled by an officer in the amount of $202,042 (2016 - $137,938). At March 31, 2017, $Nil (2016 - $10,332) remained payable to this related party for legal fees.

Refer also to Notes 15 and 17.

(Expressed in Canadian dollars)

23. Compensation of Key Management Personnel

The remuneration of directors and other key management personnel during the years ended March 31, 2017 and 2016 was as follows:

	Year ended March 31, 2017	Year ended March 31, 2016
Short-term compensation (i)	$ 687,455	$ 734,286

(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.

24. 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, 2016 and 2017, the Company's financial instruments that are carried at fair value, consisting of cash equivalents, have been classified as Level 1 within the fair value hierarchy.

Fair value

Fair value estimates are made at the financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, finance lease obligation and rail construction advance on the statement of financial position approximate fair value because of the limited term of the instruments. The fair value of liabilities subject to compromise was determined in the year ended March 31, 2017 with the settlement of these liabilities under the Plan. Refer to Note 17.

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, 2016 and 2017.

24. Financial Instruments (continued)

Financial risk management (continued)

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, 2017, 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. 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, 2017, the Company had working capital of $877,400. The Company believes it will be able to settle its current obligations from the proceeds of sale of surplus assets. Refer to Note 1.

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. Refer to Note 11.

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

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

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

iv) Interest rate risk

Included in net income for the year ended March 31, 2017 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the year ended March 31, 2017 had been 100 basis points higher (lower) then net income would have been approximately $300 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, 2016 and 2017.

(Expressed in Canadian dollars)

25. 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% (2016 - 27%) were as follows:

a) Provision for Income Taxes

	2017 $	2016 $
Net income (loss) before income taxes	321,504,049	(1,560,507)
Expected income tax (expense) recovery based on statutory rate	87,541,000	(425,000)
Adjustment to expected income tax benefit due to:		
Change in tax rates	-	1,715,000
Permanent differences	1,000	1,000
Change in benefit of tax assets not recognized	(87,542,000)	(1,291,000)
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:

	2017 $	2016 $
Non-capital loss carry-forwards	222,757,000	250,582,000
Capital losses	659,000	659,000
Property, plant and equipment	36,284,000	48,062,000
Mineral property costs	35,755,000	33,393,000
Reclamation	2,402,000	2,772,000

The non-capital loss carry-forwards of approximately $222,757,000 expire from 2033 to 2036. 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.

Labrador Iron Mines Limited

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Chairman & CEO, Labrador Iron Mines Holdings Limited

Richard Pinkerton
Chief Financial Officer, Labrador Iron Mines Holdings Limited

Brendan Lynch
Chief Financial Officer, The Gerald Group

Kenneth MacLean
Vice President & General Counsel, Municipal Group of Companies

Management

John F. Kearney, Chairman & Chief Executive

Richard Pinkerton, Chief Financial Officer

Joseph Lanzon, VP Corporate Affairs

Jason McIntosh, Controller

Neil J. Steenberg, Counsel & Secretary

Rodney Cooper, Chief Operating Officer

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