Labrador Iron Mines Limited

Annual Report

Consolidated Financial Statements

Year Ended March 31, 2020

Notice of
Annual Meeting of Shareholders

October 28, 2020

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual meeting of the shareholders (the "**Meeting**") of Labrador Iron Mines Limited (the "**Corporation**") will be held BY TELECONFERENCE DUE TO THE COVID-19 PANDEMIC AND GOVERNMENT ORDERS TO MAINTAIN PHYSICAL DISTANCING on Wednesday, October 28, 2020 at 12:00 noon (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, 2020, 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.

ATTEND THE MEETING BY TELECONFERENCE

In the context of the effort to mitigate potential risks to health and safety associated with the COVID-19 Pandemic, and in compliance with the orders and directives of the Government of Canada, the Province of Ontario and the City of Toronto, the Meeting will be held by teleconference. All shareholders are encouraged to vote on the matters before the Meeting by proxy in the manner set out in the Notice of Meeting.

To allow the Shareholders to participate at the Meeting, the Company is providing a teleconference facility that can be used by Shareholders to follow the conduct of the Meeting in real time and to ask questions during the question period.

Teleconference Details:

Date: Wednesday, October 28, 2020

Time: 12:00 Noon (Eastern Standard Time)

Participants Telephone Numbers:	*Teleconference Only*	
	Canada:	416-764-8610
	N.A. Toll Free	1-888-884-4539
	Guest Code:	8594733#

When prompted, please provide your name, and whether you are a shareholder or a guest.

DATED at the City of Toronto, the Province of Ontario, this 14th day of September 2020.

BY ORDER OF THE BOARD OF DIRECTORS

"John F. Kearney"
John F. Kearney, *Chairman & Chief Executive*

NOTES:

1. A copy of the Consolidated Financial Statements of the Corporation for the financial year ended March 31, 2020, together with the report of the auditors thereon, and the Report of the Directors accompany this Notice of Annual Meeting and are also available on the Corporation's website at www.labrdorironmines.ca.

Labrador Iron Mines Limited
ANNUAL REPORT 2020

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

Labrador Iron Mines Holdings Limited ("LIMH") holds 52% of the shares of LIM and shares common management with LIM.

Houston Iron Royalties Limited, which is owned by the same shareholders who hold 48% of the shares of LIM and which is managed by LIM, holds the right to receive a royalty equal to 2% of the sales proceeds received by LIM from sales of iron ore from LIM's Houston and SMI's Malcolm properties.

OVERVIEW

LIM owns extensive iron ore resources as well as numerous mineral exploration claims in Newfoundland and Labrador and in Quebec (collectively, the "Schefferville Projects").

The Schefferville Projects comprise numerous different iron ore deposits of varying sizes divided into separate portions, one within the Province of Newfoundland and Labrador and the other within the Province of Quebec, which were all part of the original Iron Ore Company of Canada ("IOC") direct shipping operations which reported producing in excess of 150 million tons of lump and sinter fine ore between 1954 and 1982, and formed part of the 250 million tons of historical reserves and resources previously identified by IOC.

In addition, LIM holds the Elizabeth Taconite Project, which has an inferred mineral resource estimate (as at June 15, 2013) of 620 million tonnes at an average grade of 31.8% Fe.

The Company's Schefferville Projects are connected by a direct rail line from the Company's Silver Yards rail siding to the Port of Sept-Iles on the Atlantic Ocean and benefit from established infrastructure, including, the town, airport, roads, hydro power and rail service.

The Company's original plans for its Schefferville Projects envisioned the development and mining of the various deposits in stages. Stage 1 comprised the deposits closest to existing infrastructure located at or near LIM's Silver Yards rail siding and processing site, near Menihek in Labrador, and involved mining of the James and Redmond deposits.

Mining of the James deposit commenced in 2011 and in the three-year period of 2011, 2012 and 2013 LIM produced a total of 3.6 million dry metric tonnes of iron ore, all of which was railed to Sept-Iles and sold in 23 cape-size shipments into the China spot market.

In 2013, the Company announced a framework arrangement with Tata Steel Minerals Canada ("TSMC"), a subsidiary of Tata Steel Limited, to establish a strategic relationship between LIM and TSMC for mutual cooperation in various aspects of their respective adjacent DSO iron ore operations. As part of the agreements, the companies rebuilt the rail line from the Tshiuetin Rail Transportation Inc. ("TSH") main Schefferville rail line through LIM's Silver Yards facilities to TSMC's Timmins Area processing plant. In 2013, LIM sold a 51% interest in its Howse deposit located in Labrador about 25 km north of the James Mine and adjacent to TSMC's Timmins Area mines and processing plant to TSMC for $30 million. The remaining 49% interest in Howse was sold to TSMC for $5 million in 2015.

LIM has not undertaken mining operations since 2013, primarily due to volatile iron ore market conditions, but maintains its properties on a stand-by care and maintenance basis and, subject to securing financing, plans to resume mining operations when economic conditions warrant.

Meanwhile, the Company continues to conduct the expenditures required to maintain its mineral claims in good standing, although a number of non-core mineral claims have been dropped or surrendered. LIM's former James Mine and the Silver Yards processing facility have been in progressive reclamation since the termination of mining at the James Mine at the end of 2013. LIM has now substantially completed its environmental regulatory requirements relating to rehabilitation of the former James Mine, Redmond Mine and the Silver Yards processing site and related infrastructure. A modest rehabilitation program of top-soil spreading with seeding and re-vegetation has been performed in summer of 2020

Stage 2 of LIM's planned direct shipping ore mining operations comprises deposits in an area located about 20 km south of Silver Yards, and is planned to involve the development of the Houston, Malcolm and other adjacent deposits. Development of the Houston Project, is planned as LIM's next project.

HOUSTON IRON ORE PROPERTY

The Houston property ("Houston"), is situated in Labrador about 25 km southeast of the town of Schefferville. Together with the Malcolm Deposit, considered to be its northwest extension, the Houston deposits are estimated to contain a resource of 40.6 million tonnes grading 57.6% iron ("Fe").

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

The revised development plan is based on lower-cost dry crushing and screening only. LIM has identified a higher-grade component of this resource, 20 million tonnes at an average grade of 62% Fe, at a 58% cut-off grade, that is amenable to dry crushing and screening. The initial mine plan will focus on this higher-grade component. The Houston deposits also contain harder ore than the James mine and are anticipated to produce a larger proportion of premium lump product. When in full production, the Houston-Malcolm deposits are expected to produce consistent saleable product of about 2 million tonnes per year, with an initial mine-life of 10 years.

In 2012, following the submission of a project registration to the Government of Newfoundland and Labrador for the development of the Houston #1 and #2 deposits, including a haul road and a new railway siding, the Minister of Environment and Conservation informed the Company that, in accordance with the Environmental Protection Act, the Houston 1 and 2 Deposits Mining Project was released from further environmental assessment, subject to a number of conditions.

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

The port handling arrangements for the future shipment of LIM's iron ore production remain subject to ongoing evaluation and finalization. The Company continues to evaluate different options for the unloading, stockpiling and ship loading of the Company's iron ore products at the Port of Sept-Iles. These potential options include a renewal of a port access agreement with the Iron Ore Company of Canada ("IOC"), use of the Société Ferrovaire et Portuaire de Pointe Noire ("SFPPN", a public private partnership) port assets (which include the Wabush yard, dumper and loader, the Bloom Lake dumper and loader and the Arnaud Railway which connects that part of the Port to the QNS&L railroad) and/or use of the Port's new multi-user deep water dock and/or other facilities in the Port of Sept-Iles. Use of such facilities would require negotiation of a new agreement(s) with IOC, SFPPN and/or the Port.

Development of the Houston Project is subject to the availability of development financing. and securing such development financing requires market confidence that an improved level of iron ore prices will be sustained. There are no assurances that LIM will be successful in obtaining the required financing and if LIM is unable to obtain such financing, the development of Houston will be postponed.

ELIZABETH TACONITE PROPERTY

The Elizabeth taconite deposit ("Elizabeth"), is located approximately four km west of LIM's former James Mine. During the 2011 and 2012 field seasons, LIM's exploration efforts and drill programs identified a large iron orebody, leading to its first independent Inferred mineral resource estimate (as at June 15, 2013) comprising two adjacent deposit areas. Approximately 620 million inferred tonnes at an average grade of 31.8% Fe have been estimated in Elizabeth No. 1 and a potential 350 million to 600 million tonnes at an average grade 31.9% Fe have been estimated in Elizabeth No. 2. [Refer to "Qualified Persons" section below.]

The initial Elizabeth target measures approximately four km long and is made of magnetite and hematite dominant zones. There is significant potential for resource expansion as the deposit remains open along strike to the northwest and southeast.

Elizabeth represents an opportunity to develop a major new taconite operation in the Schefferville region of the Labrador Trough. The Elizabeth property location is advantageous, and has direct access to existing roads, rail bed and power line corridor.

Taconites require upgrading through a concentrator involving a major capital investment which would produce a high-grade saleable iron ore product higher than 68% Fe, which would attract premium prices in the current iron ore market.

Development of the Elizabeth Project would be subject to the availability of development and construction financing. There are no assurances that LIM would be successful in obtaining the required financing for the further development and potential construction of the Elizabeth Project.

ONGOING OPERATIONAL ACTIVITIES

During the past several years, LIM has continued to conduct a variety of necessary operational activities with the objective of preserving its assets, maintaining its mineral properties on a standby basis and fulfilling environmental and regulatory obligations. Site activities consist mainly of property maintenance, site standby activities and reclamation programs.

2019 Exploration Program

In the summer of 2019, LIM carried out its first exploration program in a number of years. The focus of the program was to:

- maintain the selected mineral licences in good standing;
- examine potential extensions to known mineralization; and
- identify the potential for buried iron ore deposits in areas of glacial till cover.

Exploration activities included reconnaissance soil, rock and till geochemistry and geological investigations, in part, at or near historical trenching and drilling sites. In addition to geological, the exploration program assessed the potential of locating buried, high-grade iron (± manganese) mineral potential on LIM's mineral claims using soil and rock geochemistry.

Sampling was carried out on 13 of LIM's mineral licences in the Menihek region of western Labrador, including licence numbers 011541M (Fleming 3), 011542M (Elross 3), 011543M (Timmins 5), 011544M (Timmins 6), 012894M (Howells River), 016502M (Timmins), 016531M (Timmins 6), 016669M (Kivivic 1), 018230M (Timmins), 018235M (Elross/Timmins), 018638M (Timmins 6), 020317M (Timmins 6) and 020321M (Timmins 6/Barney).

The program's conclusions included a recommendation to conduct further field exploration on licences 011541M, 011542M, 011543M, 016669M and 018230M. Elevated iron content in rock samples suggest potential buried mineralization on these licences, whereas elevated iron content in soils supports additional work on licences 011541M, 016669M and 018230M.

The program also recommended trenching at licences 011541M, 016669M and 018230M. The program also recommended building a comprehensive petrographic and microprobe database to enhance LIM's targeting parameters to explore for high-grade buried deposits.

2019 Rehabilitation Program

In the fall of 2019, LIM substantially completed the rehabilitation of the former James Mine and Silver Yards plant site. The rehabilitation program consisted of dismantling and removing LIM's wet processing plant, which was previously used to process ore from the James Mine but is not planned to be used for Houston. LIM contracted a Montreal-based demolition/recycling firm to complete the project, under the supervision of on-site LIM management. Nearby service buildings were also dismantled and all remaining debris (wood, concrete, etc.) from the surrounding area was removed and disposed.

Following demolition, approximately 1,500 tonnes of structural steel and scrap metal were transported from site by rail and recycled, with the proceeds subsidizing the project costs.

Following a government inspection performed after completion of the 2019 program, $0.51 million of restricted cash set aside as financial assurance for such rehabilitation was released to LIM. The released cash along with the sale of scrap metal covered most of the costs incurred in the 2019 rehabilitation program.

At the commencement of production from the James mine in 2010, the original estimated cost of rehabilitation of LIM's Stage 1 mining operations and related infrastructure was approximately $3.5 million. Following completion of several years of progressive reclamation, including the 2019 program, the remaining estimated cost of rehabilitation of LIM's Stage 1 mining operations and related infrastructure, (before the August 2020 reclamation program) was approximately $1.34 million. Of this amount, approximately $0.42 million relates to rehabilitation of mine sites and approximately

$0.92 million relates to rehabilitation of rail lines and camp infrastructure. As at March 31, 2020, LIM had approximately $1.4 million in restricted cash set aside as financial assurance for completion of such rehabilitation.

Sale of Camp Equipment

In October 2019, LIM completed the sale of its site accommodation camp for net proceeds of $0.05 million. The purchaser also agreed to take on responsibility for future site reclamation obligations in place of LIM. The purchaser intends to renovate the camp and recommence operation to service the accommodation needs of the mining industry in the area, including potentially LIM in the future. As a result of the sale LIM was relieved of the camp upkeep, security, and insurance obligations.

NEAR-TERM COMPANY FOCUS

Development of the Houston Project, which is planned as LIM's next DSO project, is subject to the availability of development financing, and securing such development financing requires market confidence that the current improved level of iron ore prices will be sustained. LIM will continue to monitor iron ore market conditions as they relate to the availability of development financing.

In the summer of 2020, LIM has undertaken further rehabilitation of the James mine area and the Silver Yards processing plant site, largely involving top-soil spreading and seeding and re-vegetation. Upon completion of this rehabilitation work, LIM expects a further release of restricted cash set aside as financial assurance for such rehabilitation.

In June 2020, the Minister of Natural Resources announced measures to assist the mining, and mineral exploration industries in Newfoundland and Labrador during the Covid-19 global pandemic, including deferring rental and fee payments and waiving mineral expenditure requirements for 2020. The measures include deferral of rental and fee payments associated with land tenure issued under the Mineral Act until December 31, 2020 and waiver of mineral assessment expenditure requirements for mineral licences for one year – from March 18, 2020 to March 17, 2021. LIM's obligations deferred as a result of this relief include mining and surface lease rentals and mineral licence renewal fees. Additionally, LIM's mineral expenditure requirement planned for 2020 has been waived.

The Province of Quebec also announced Covid-related relief measures to assist the mining and minerals industry in Quebec. All claim renewals and work commitments have been waived for one year beginning April 9, 2020. This measure will waive Schefferville Mines Inc. expenditure requirements and will keep SMI's mineral claims in Quebec in good standing until 2021.

REQUIREMENT FOR WORKING CAPITAL AND DEVELOPMENT FINANCING

From a corporate perspective, the Company is cognizant that its operations will need to be funded on a care and maintenance basis. The Company is funding its ongoing site standby and general corporate and administrative activities from the proceeds of sale of surplus non-core assets and the release of restricted cash. If the Company is unable to generate sufficient proceeds from the sale of surplus non-core assets or the release of restricted cash, or otherwise obtain adequate financing, the Company may be required to curtail all its operations and activities.

While the ability to continue corporate and site standby activities over the next 12 months is not dependent on securing additional development financing, the Company will need to secure additional financing to continue as a going concern due to its working capital deficiency at March 31, 2020. Even if the Company is successful in funding its general working capital needs, if the Company is unable to obtain additional development financing on a timely basis or on reasonable or acceptable terms, then the Company will be unable to pursue development of its iron ore projects.

IRON ORE MARKET CONDITIONS

The global sea-borne iron ore market is dominated by demand from China, the world's largest steel producer and consumer of iron ore, and supply by Australia and Brazil, the world's largest iron ore producing countries.

In 2019 the market experienced significant supply disruptions due to the suspension of several mines in Brazil for tailing dam safety reasons, which contributed to a rapid rise in the price of iron ore during the first half of the year. After beginning 2019 at US$70/tonne (62% Fe CFR China), the price rose to a five year high of US$126/tonne in early July, at which point it began to face headwinds which continued for the balance of the year. The Platts index for 62% Fe, CFR China ("62% Fe index"), averaged US$93 per tonne in 2019 compared to US$69 per tonne in 2018.

In January 2020, the price of iron ore declined from approximately US$90/tonne (62% Fe CFR China basis) to US$80/tonne, due to the initial impact of the emerging Covid-19 pandemic, which resulted in a short-term curb in China's steel production due to public health measures. By mid-February, however, steel production in China began to increase again, based on significant government stimulus programs and an improving domestic public health situation. By the end of July, China was on track to break its previous annual record of steel production and associated iron ore imports. In July alone, China imported 112.7 million tonnes of iron ore and produced 93.4 million tonnes of crude steel, both representing monthly records and an increase of 24% and 9% respectively over the same month in 2019.

On the supply side, the market experienced another Brazilian supply disruption in the spring of 2020. Brazil has been particularly hard-hit by Covid-19, which has significantly interrupted the country's iron ore production. The net effect of Brazil's production disruption has been another supply deficit in the global iron ore market.

The cumulative impact of robust demand in China and tighter than anticipated supply has led to a significant increase in the price of iron ore. By early September 2020 the price had reached US$130/tonne, representing a more than 40% increase during the year. Analysts are increasingly confident that the current market dynamics of strong China demand and tighter than previously anticipated supply will support a robust iron ore market throughout the remainder 2020.

As of early September 2020, China's steel production and Australia's iron ore production continue to be strong, however Brazil's iron ore production continues to be disrupted, with no immediate end in sight. The extent to which these conditions persist is expected to determine market dynamics for the remainder of 2020. Beyond 2020, it is expected that iron ore prices may retreat as supplies are restored, though a significant global economic recovery expected in 2021 should create a supportive price floor for iron ore.

FINANCIAL RESULTS – YEAR ENDED MARCH 31, 2020

The Audited Consolidated Financial Statements of the Company for the year ended March 31, 2020 are included with this Report.

The net loss of $1.27 million in the current year was attributable to operating costs of $1.01 million and corporate and administrative costs of $0.32 million. The net loss of $0.017 million in the previous year was mainly attributable to site costs of $0.36 million and corporate and administrative costs of $0.23 million, offset by a gain of $0.45 million on the sale of property and equipment.

Operating activities during the year ended March 31, 2020 consisted mainly of property maintenance, site rehabilitation and exploration activities at site. Operating costs also included a charge of $0.39 million in accrued rent for the use by LIM (since January 2017) of a railcar repair facility in Sept-Iles, Quebec owned by LIMH. Operating costs were partly offset by third party income earned by LIM at this rented rail car repair facility, which was sold by LIMH in March 2020. Operating costs during the previous year consisted mainly of property maintenance expenditures.

The Company made no capital expenditures on property, plant and equipment on its mining properties during the current year ended March 31, 2020. The Company continues to conduct the expenditures required to maintain its mineral claims in good standing. A number of non-core mineral claims have been dropped or surrendered.

As at March 31, 2020, LIM had a working capital deficit of $0.18 million and no current or long-term bank debt. LIM also had non-current restricted cash of $1.28 million at year-end. LIM plans to fund its ongoing site standby and general corporate and administrative activities from the proceeds of sale of surplus non-core assets and equipment and the ongoing release of restricted cash.

On behalf of the Board of Directors

John F. Kearney
Chairman

September 14, 2020

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Labrador Iron Mines Limited

Opinion

We have audited the consolidated financial statements of Labrador Iron Mines Limited and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in (deficiency) equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company requires additional funding on order to fund its ongoing working capital requirements and that it had a working capital deficit as at March 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
July 27, 2020

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

	March 31, 2020	March 31, 2019
ASSETS		
Current assets		
Cash	$ 133,437	$ 54,508
Restricted cash (Note 6)	111,015	-
Accounts receivable (Note 5)	1,352	48,772
Due from Labrador Iron Mines Holdings Limited (Note 16)	6,442	1,137,965
Total current assets	252,246	1,241,245
Non-current assets		
Restricted cash (Note 6)	1,278,210	1,889,621
Prepaid exploration expenses	20,683	20,683
Mineral property interests (Notes 7 and 15)	1	1
Property, plant and equipment (Notes 8, 14 and 15)	1	1
Total non-current assets	1,298,895	1,910,306
Total assets	$ 1,551,141	$ 3,151,551
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9, 16 and 17)	$ 325,854	$ 344,240
Rehabilitation provision (Note 10)	111,015	-
Total current liabilities	436,869	344,240
Non-current liabilities		
Accrued liabilities (Notes 9 and 17)	231,250	-
Rehabilitation provision (Note 10)	1,482,554	2,134,011
Total non-current liabilities	1,713,804	2,134,011
Total liabilities	2,150,673	2,478,251
SHAREHOLDERS' (DEFICIENCY) EQUITY		
Share capital (Note 11)	32,691,192	32,691,192
Deficit	(33,290,724)	(32,017,892)
Total shareholders' (deficiency) equity	(599,532)	673,300
Total liabilities and shareholders' (deficiency) equity	$ 1,551,141	$ 3,151,551

Going concern (Note 1)
Commitments and contingencies (Note 13)

The financial statements were approved by the Board of Directors on July 27, 2020 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 Loss
(Expressed in Canadian dollars)

	Year ended March 31, 2020	Year ended March 31, 2019
Operating expenses		
Site and camp operations	$ (1,013,799)	$ (364,892)
Depreciation (Note 8)	-	(2,264)
Loss before the undernoted	(1,013,799)	(367,156)
Corporate and administrative costs	(324,760)	(223,617)
Accretion (Note 10)	(15,475)	(33,755)
Gain on sale of property and equipment (Note 14)	-	454,700
Impairment reversal (Note 15)	11,404	11,116
Interest earned	25,868	21,386
Rehabilitation provision recovery (Note 10)	43,930	120,594
	(259,033)	350,424
Net loss before income taxes	(1,272,832)	(16,732)
Deferred income tax (Note 19 (a))	-	-
Net loss and comprehensive loss for the year	$ (1,272,832)	$ (16,732)
Loss per share		
Basic and diluted	$ (0.01)	$ (0.00)
Weighted average number of shares outstanding		
Basic and diluted (Note 11)	99,794,925	99,794,925

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, 2020	Year ended March 31, 2019
Cash used in operating activities		
Loss for the year	$ (1,272,832)	$ (16,732)
Items not involving cash		
Depreciation	-	2,264
Accretion (Note 10)	15,475	33,755
Accrued interest	(11,591)	1,298
Gain on sale of property and equipment (Note 14)	-	(454,700)
Impairment reversal (Note 15)	(11,404)	(11,116)
Rehabilitation provision recovery (Note 10)	(43,930)	(120,594)
Changes in working capital, excluding related parties	221,688	(350,867)
Cash used in operating activities	(1,102,594)	(916,692)
Cash provided by investing activities		
Proceeds from sale of property and equipment (Note 14)	50,000	543,000
Performance of site rehabilitation (Note 10)	(511,987)	-
Release of restricted cash	511,987	472,795
Net advances from (to) Labrador Iron Mines Holdings Limited (Note 16)	1,131,523	(309,623)
Cash provided by investing activities	1,181,523	706,172
Cash provided by financing activities		
Advance from director (Note 16)	400,000	-
Repayment of advance from director (Note 16)	(400,000)	-
Cash provided by financing activities	-	-
Change in cash	78,929	(210,520)
Cash, beginning of year	54,508	265,028
Cash, end of year	$ 133,437	$ 54,508

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

	Share Capital		Deficit	Shareholders' (Deficiency) Equity
	Number	Amount	Amount	Amount
Balance, March 31, 2018	99,794,925	$ 32,691,192	$ (32,001,160)	$ 690,032
Loss for the year	-	-	(16,732)	(16,732)
Balance, March 31, 2019	99,794,925	32,691,192	(32,017,892)	673,300
Loss for the year	-	-	(1,272,832)	(1,272,832)
Balance, March 31, 2020	99,794,925	$ 32,691,192	$ (33,290,724)	$ (599,532)

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

1. Nature of Operations and Going Concern

Principles of Consolidation

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

LIM acquired 100% of the common shares of SMI on December 19, 2016 from LIM's parent company Labrador Iron Mines Holdings Limited ("LIMH").

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, and the Elizabeth Taconite Property, are the Company's principal projects.

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

The Company has not conducted mining operations, other than site reclamation and standby activities, since the year ended March 31, 2014, primarily due to the prevailing low price of iron ore. The Company is currently focused on maintaining its properties, completing reclamation and evaluating the potential resumption of mining operations. Subject to securing development financing, the Company plans 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 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.

Going Concern

As at March 31, 2020, the Company had a working capital deficit of $184,623 (2019 - working capital of $897,005). Notwithstanding its working capital deficit, 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 and the release of restricted cash to fund its corporate and site standby activities. Accordingly, the consolidated financial statements for the year ended March 31, 2020 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 and the release of restricted cash 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.

1. Nature of Operations and Going Concern (continued)

Going Concern (continued)

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.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and, on March 11, 2020, declared COVID-19 a pandemic. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the effectiveness of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

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.

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

3. Significant Accounting Judgments, Estimates and Assumptions (continued)

Impairment of 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 Notes 7, 8 and 15.

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, 2019 and 2020 the Company completed impairment assessments of its mineral property interests based on a discounted cash flow analysis. Refer to Notes 7 and 15.

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 10.

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.

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.

3. Significant Accounting Judgments, Estimates and Assumptions (continued)

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 13.

4. Significant Accounting Policies

Basis of consolidation

The financial statements consolidate the accounts of LIM and, since 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 and functional 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.

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.

4. Significant Accounting Policies (continued)

Mineral property interests

The commercial viability of extracting a mineral resource is considered to be determinable when resources are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Upon determination of resources, exploration and evaluation assets attributable to those resources are first tested for impairment and then reclassified from exploration and evaluation assets to mineral property interests. Expenditures deemed to be unsuccessful are recognized in 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, 2019 and 2020, all of the Company's properties are categorized as mineral property interests.

Producing mines

After commercial production of a part of mineral property interests commences, all assets included in that part of mineral property interests are reclassified into producing mines.

When a mine project moves into the producing mine stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements or mineable resource development.

Producing mines are stated at cost, less accumulated depreciation and accumulated impairment.

Property, plant and equipment

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

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

Depletion/depreciation/amortization

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

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.

4. Significant Accounting Policies (continued)

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.

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 and financial liabilities

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

4. Significant Accounting Policies (continued)

Financial assets (continued)

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in accretion in the consolidated statements of operations. The Company measures cash, accounts receivable, due from Labrador Iron Mines Holdings Limited and restricted cash at amortized cost.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company measures cash equivalents at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of operations when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are other accounts receivable and amounts due from Labrador Iron Mines Holdings Limited, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

4. Significant Accounting Policies (continued)

Financial assets (continued)

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in accretion in the consolidated statements of operations.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

Cash

Cash in the statement of financial position and statement of cash flows comprises cash on deposit at a major Canadian bank.

Provisions

General

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of operations and comprehensive loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Rehabilitation provisions

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and waste sites, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining asset to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of operations and comprehensive loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of operations and comprehensive loss.

Onerous contracts

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

4. Significant Accounting Policies (continued)

Revenue Recognition

The Company recognizes revenue when all of the following steps have been met: (i) a contract with a customer has been identified; (ii) the performance obligations (being promises to transfer a product, such as iron ore, to a customer) have been identified; (iii) the transaction price has been determined; (iv) the transaction price has been allocated to each performance obligation in the contract; and (v) the performance obligation has been satisfied by the product having been transferred to the customer.

Earnings (loss) per share

Earnings (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The diluted earnings (loss) per share calculation excludes the conversion of options and warrants that would increase earnings per share or decrease (loss) per share. The Company did not have any stock options or warrants outstanding during the years ended March 31, 2019 and 2020.

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.

(Expressed in Canadian dollars)

4. Significant Accounting Policies (continued)

Recent accounting pronouncements

Effective April 1, 2019, the Company adopted IFRS 16 , Leases ("IFRS 16") and IFRS 23, Uncertainty Over Income Tax Treatments ("IFRIC 23") In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at April 1, 2019. There were no effects on opening balances at April 1, 2019 with respect to the adoption of these policies.

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. The Company adopted IFRIC 23 effective April 1, 2019. There was no material impact to the consolidated financial statements upon adoption of this standard.

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. The Company adopted IFRS 16 effective April 1, 2019. There was no material impact to the consolidated financial statements upon adoption of this standard.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after April 1, 2020. 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.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after April 1, 2020.

5. Accounts Receivable

	March 31, 2020	March 31, 2019
Accounts receivable	$ -	$ 38,595
Refundable taxes	1,352	10,177
	$ 1,352	$ 48,772

Refer to Note 15.

(Expressed in Canadian dollars)

6. 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, 2020	March 31, 2019
Current	$ 111,015	$ -
Non-current	1,278,210	1,889,621
Restricted cash	$ 1,389,225	$ 1,889,621

7. 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.

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

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

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

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

RBRG Trading (UK) Limited holds a 50% net profit interest in certain historical stockpiles.

The Elizabeth Taconite Property is subject to a deferred payment of $500,000 upon commencement of commercial production.

During the years ended March 31, 2015 and 2017, the carrying value of the Company's mineral property interests was impaired based on an assessment using then-prevailing economic conditions. Despite an improvement in the spot price of iron ore to above USD$100 per tonne during the March 31, 2020 year end assessment period, the full impairment of the Company's mineral property interests has been maintained as at March 31, 2020 pending additional evidence of the sustainability of such improved market conditions.

The Company's mineral property assets are as follows:

	Mineral Property Interests
Cost at:	
March 31, 2018, 2019 and 2020	$ 1
Accumulated depletion and depreciation:	
March 31, 2018, 2019 and 2020	-
Net book value at:	
March 31, 2018, 2019 and 2020	$ 1

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

(Expressed in Canadian dollars)

8. Property, Plant and Equipment

Cost at:	Buildings $	Transportation infrastructure $	Beneficiation plant and equipment $	Total $
March 31, 2018	96,585	3,071,243	-	3,167,828
Disposal (Note 14)	(96,585)	-	-	(96,585)
Adjustment	-	-	1	1
March 31, 2019	-	3,071,243	1	3,071,244
Impairment Reversal	50,000	-	-	-
Disposal (Note 14)	(50,000)	-	-	-
March 31, 2020	-	3,071,243	1	3,071,244
Accumulated Depreciation at:				
March 31, 2018	(6,021)	(3,071,243)	-	(3,077,264)
Depreciation	(2,264)	-	-	(2,264)
Disposal (Note 14)	8,285	-	-	8,285
March 31, 2019 and 2020	-	(3,071,243)	-	(3,071,243)
Net Book Value at:				
March 31, 2019 and 2020	-	-	1	1

Transportation infrastructure includes the Company's rail track.

During the year ended March 31, 2019, certain surplus buildings and equipment were sold for cash proceeds.

During the year ended March 31, 2020, the Company recognized an impairment reversal of the carrying value of certain mine camp equipment, which was subsequently sold for cash proceeds in October 2019.

Refer to Note 14.

9. Accounts Payable and Accrued Liabilities

	March 31, 2020	March 31, 2019
Current		
Trade payables and accruals	$ 300,789	$ 315,764
Sales taxes and statutory liabilities	25,065	28,476
	325,854	344,240
Non-current		
Accrued liabilities	231,250	-
	$ 480,078	$ 344,240

Refer to Note 17.

10. 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 the removal of tangible assets from the Company's mining sites.

At March 31, 2020, the total undiscounted amount of the Company's rehabilitation provision is $1,342,425 and is expected to be incurred between calendar 2020 and 2022. The rehabilitation provision is recognized as $1,593,569 as at March 31, 2020 using a discount rate of 1.46% and an inflation rate of 2.0%.

(Expressed in Canadian dollars)

10. Rehabilitation Provision (continued)

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

	Year ended March 31, 2020	Year ended March 31, 2019
Balance, beginning of year	$ 2,134,011	$ 2,253,100
Accretion	15,475	33,755
Change in estimate	(43,930)	167,431
Reduction	(511,987)	(320,275)
Balance, end of year	$ 1,593,569	$ 2,134,011
Less: Current portion	(111,015)	-
Non-current portion	$ 1,482,554	$ 2,134,011

11. Share Capital

Authorized
Unlimited common shares, no par value

Issued	Shares #	Amount $
Balance March 31, 2018, 2019 and 2020	99,794,925	32,691,192

12. Capital Management

The capital of the Company consists of share capital. There were no changes to the Company's approach to capital management during the years ended March 31, 2019 and 2020. The Company is not subject to externally imposed capital requirements.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of its mineral properties. The issuance of common shares requires approval from the Board of Directors. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the Company's management to sustain future development of the business. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore, develop and produce from its Schefferville Projects for the benefit of its stakeholders. The Company uses stock options primarily to retain and provide incentives to employees and consultants. The granting of stock options is primarily determined by the Board of Directors.

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

13. Commitments and Contingencies

(a) 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) The Company is party to one unresolved claim from 2016 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.

(Expressed in Canadian dollars)

14. Sale of Property and Equipment

During the year ended March 31, 2020 the Company sold certain mine camp equipment for cash proceeds. During the year ended March 31, 2019 the Company sold various surplus property and equipment for cash proceeds.

	Year ended March 31, 2020	Year ended March 31, 2019
Proceeds of sale	$ 50,000	$ 543,000
Carrying value of property and equipment sold	(50,000)	(88,300)
Gain on sale	$ -	$ 454,700

15. Impairments

	Year ended March 31, 2020	Year ended March 31, 2019
Property, plant and equipment		
Impairment reversal	$ 50,000	$ -
Accounts receivable and prepaid expenses		
(Impairment) reversal	(38,596)	11,116
Impairment reversal	$ 11,404	$ 11,116

The Company carried out impairment assessments in the years ended March 31, 2019 and 2020 in accordance with the Company's accounting policies and as required by IFRS and IAS 36.

During the year ended March 31, 2019, the Company recognized an impairment reversal of $11,116 with respect to the collection of previously impaired accounts receivable.

During the year ended March 31, 2020, the Company recognized an impairment of $38,596 with respect to accounts receivable that are not considered collectible.

During the year ended March 31, 2020 the Company reversed a previous impairment charge related to its mine camp equipment in the amount of $50,000, prior to the sale of such equipment which was completed during October 2019 for net proceeds of $50,000.

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.

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)

16. Related Party Transactions

During the year ended March 31, 2020, LIMH provided management services at cost in the amount of $546,304 (2019 - $588,748) to the Company. During the year ended March 31, 2020 the Company was also charged $390,000 in accrued rent for the use by LIM (since January 1, 2017) of a railcar repair facility owned by LIMH.

During the year ended March 31, 2020, the Company received a net amount of $1,131,523 from LIMH with respect to amounts owed to the Company by LIMH. During the year ended March 31, 2019 the Company advanced a net amount of $309,623 to LIMH for working capital purposes.

As at March 31, 2020, $6,442 (2019 - $1,137,965) was receivable on a net basis by the Company from LIMH and its wholly-owned subsidiary Centre Ferro Limited ("CF"). Effective December 19, 2016, LIMH and CF agreed to offset any amounts owing to the Company. The amounts are unsecured, non-interest bearing and due on demand.

During the year ended March 31, 2020, the Company received an interest-free advance of $400,000 (2019 - $Nil) from a director of the Company. The full amount of this advance was repaid by the Company in March 2020 and no balance remained outstanding at March 31, 2020.

17. Compensation of Key Management Personnel

The remuneration of directors and other key management personnel during the years ended March 31, 2019 and 2020 was as follows:

	Year ended March 31, 2020	Year ended March 31, 2019
Short-term compensation (i)	$ 231,755	$ 252,158

(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.

As at March 31, 2020, $231,250 (2019 - $231,250) of short-term compensation remained payable to key management personnel. The full balance of such short-term compensation outstanding as at March 31, 2020 and 2019 is deferred executive compensation with respect to the years ended March 31, 2016 and 2017, which is unsecured, non-interest bearing and due on or after April 1, 2021. All such accrued compensation is included in accrued liabilities.

18. 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, 2019 and 2020, the Company's financial instruments that are carried at fair value, consisting of cash equivalents, have been classified as Level 2 within the fair value hierarchy.

18. Financial Instruments (continued)

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, restricted cash, accounts receivable, accounts payable and accrued liabilities on the statement of financial position approximate fair value because of the limited term of the instruments.

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, 2019 and 2020.

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, restricted cash 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 with reputable financial institutions. At March 31, 2020, the Company's cash and restricted cash were held in deposits at a major Canadian bank.

As at March 31, 2020, $6,442 (2019 - $1,137,965) was receivable on a net basis by the Company from LIMH and its wholly-owned subsidiary CF. Effective December 19, 2016, LIMH and CF agreed to offset any amounts owing to the Company. The amounts are unsecured and non-interest bearing. The carrying amount of financial assets represents the Company's maximum credit exposure.

ii) Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they come due. As at March 31, 2020, the Company had a working capital deficit of $184,623 (2019 - working capital of $897,005). Notwithstanding its working capital deficit, the Company believes it will be able to settle its current obligations from the proceeds of sale of surplus assets and the release of restricted cash. Refer to Note 1.

Financial risk management (continued)

iii) Foreign currency risk

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

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

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

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by holding cash 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.

(Expressed in Canadian dollars)

18. Financial Instruments (continued)

iv) *Interest rate risk*

Included in the loss for the year ended March 31, 2020 is interest earned on the Company's cash. If interest rates throughout the year ended March 31, 2020 had been 100 basis points higher (lower) then the loss would have been approximately $1,000 lower (higher). The Company does not have any variable rate debt obligations which expose it to interest rate risk.

v) *Commodity price risk*

The future profitability of the Company is directly related to the market price of iron ore. Fluctuations in the iron ore price could create volatility in the Company's future cash flows and the future reported amounts for sales in its consolidated statement of operations and comprehensive loss, both on a period-to-period basis and compared with operating budgets and forecasts. In addition, a drop in actual iron ore prices or expected long-term iron ore prices could impact the Company's ability to raise additional financing, if required, to complete the development of its properties, and development could also be halted if iron ore prices fall below expected operating costs. The Company had no sales of iron ore during the years ended March 31, 2019 and 2020.

19. 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% (2019 - 27%) were as follows:

a) Provision for Income Taxes

	Year ended March 31, 2020 $	Year ended March 31, 2019 $
Net loss before income taxes	(1,272,832)	(16,732)
Expected income tax expense (recovery) based on statutory rate	(347,000)	5,000
Adjustment to expected income tax (recovery) benefit due to:		
Change in benefit of tax assets not recognized	347,000	(5,000)
Deferred income tax provision	-	-

b) Deferred Income Tax Balances

Unrecognized Deferred Tax Assets

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

	March 31, 2020 $	March 31, 2019 $
Non-capital loss carry-forwards	246,318,000	239,929,000
Capital losses	659,000	659,000
Property, plant and equipment	15,045,000	19,576,000
Mineral property costs	35,755,000	35,755,000
Reclamation	1,594,000	2,134,000

The non-capital loss carry-forwards of approximately $246,318,000 expire from 2033 to 2040. 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

Directors

John F. Kearney. Mr. Kearney is the Founder, Chairman and Chief Executive of the Company. Since its formation in 2005, he has led the development, construction and operation of the Company's Schefferville iron ore projects. With over 47 years of experience in the mining industry, he has served as Chairman and Director of numerous public mining and exploration companies, including Anglesey Mining plc. He was previously a director and President of the NWT & Nunavut Chamber of Mines and was a director and member of the executive committee of the Mining Association of Canada. Mr. Kearney is a member of the Canadian Institute of Mining and Metallurgy, and the Prospectors and Developers Association of Canada. He holds degrees in law and economics from the University College Dublin and a Masters in Business Administration from Trinity College Dublin.

Brendan Lynch. Mr. Lynch is an Independent Board Member of the Gerald Group. Previously, he was the Chief Financial Officer and Global Head Mergers & Acquisitions of the Gerald Group, an international commodities merchant. Mr. Lynch is a Chartered Accountant and obtained a Bachelor of Commerce Degree in 1995.

Kenneth MacLean. Mr. MacLean is Vice President and General Counsel for The Municipal Group of Companies. The Municipal Group of Companies is comprised of numerous complementary business units. As an organization, it has been operating for more than 50 years, and its presence now extends through Nova Scotia, New Brunswick, Newfoundland and Labrador, Quebec, and the Caribbean. Best known by its workhorse, Dexter Construction, it has also become a recognized leader in waste management, logistics, and mining support services.

Richard Pinkerton. Mr. Pinkerton has been the Chief Financial Officer of the Corporation since 2012. Prior to joining the Corporation as Vice President Finance in 2010, Mr. Pinkerton spent ten years as an investment banker in the mining industry and five years with PricewaterhouseCoopers LLP. Richard obtained his Bachelor of Arts degree in economics from Harvard University and holds the Chartered Accountant and Chartered Financial Analyst designations.

Management

John F. Kearney, Chairman & Chief Executive
Richard Pinkerton, Chief Financial Officer
Rodney Cooper, Chief Operating Officer
Aiden Carey, Senior Vice President Operations
Larry LeDrew, Vice President Sustainable Development
Joseph Lanzon, Vice President Government and Corporate Affairs
Neil J. Steenberg, Secretary

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