Labrador Iron Mines Limited

LABRADOR IRON MINES LIMITED

Consolidated Financial Statements

For the Years Ended March 31, 2019 and 2018

(Expressed in Canadian dollars)

55 University Avenue, Suite 1805, Toronto, Ontario, Canada M5J 2H7
Tel: (647) 728-4104 Fax: (416) 368-5344
Email: info@labradorironmines.ca
Website: www.labradorironmines.ca

McGovern Hurley LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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

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

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, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and 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, 2019 and 2018, 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 in order to fund its ongoing working capital requirements. 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
July 25, 2019

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

	March 31, 2019	March 31, 2018
ASSETS		
Current assets		
Cash	$ 54,508	$ 265,028
Restricted cash (Note 7)	-	250,920
Accounts receivable and prepaid expenses (Note 5)	48,772	98,875
Due from Labrador Iron Mines Holdings Limited (Note 17)	1,137,965	828,342
Total current assets	1,241,245	1,443,165
Non-current assets		
Restricted cash (Note 7)	1,889,621	2,112,794
Prepaid expenses	20,683	48,321
Mineral property interests (Notes 8 and 16)	1	1
Property, plant and equipment (Notes 9, 15 and 16)	1	90,564
Total non-current assets	1,910,306	2,251,680
Total assets	$ 3,151,551	$ 3,694,845
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 10 and 18)	$ 344,240	$ 751,713
Total current liabilities	344,240	751,713
Non-current liabilities		
Rehabilitation provision (Note 12)	2,134,011	2,253,100
Total non-current liabilities	2,134,011	2,253,100
Total liabilities	2,478,251	3,004,813
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	32,691,192	32,691,192
Deficit	(32,017,892)	(32,001,160)
Total shareholders’ equity	673,300	690,032
Total liabilities and shareholders’ equity	$ 3,151,551	$ 3,694,845

Going concern (Note 1)
Commitments and contingencies (Note 14)

The financial statements were approved by the Board of Directors on July 25, 2019 and signed on its behalf by:

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

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

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

	Year ended March 31, 2019	Year ended March 31, 2018
Operating expenses		
Site and camp operations	$ (364,892)	$ (403,230)
Depreciation (Note 9)	(2,264)	(4,767)
Loss before the undernoted	(367,156)	(407,997)
Corporate and administrative costs	(223,617)	(468,652)
Accretion (Note 12)	(33,755)	(24,278)
Gain on sale of property and equipment (Note 15)	454,700	-
Impairment reversal (Note 16)	11,116	448,166
Interest earned	21,386	22,076
Rehabilitation provision recovery (Note 12)	120,594	-
	350,424	(22,688)
Net loss before income taxes	(16,732)	(430,685)
Deferred income tax (Note 20 (a))	-	-
Comprehensive loss for the year	$ (16,732)	$ (430,685)
Loss per share		
Basic and diluted	$ (0.00)	$ (0.00)
Weighted average number of shares outstanding		
Basic and diluted (Note 13)	99,794,925	99,942,130

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, 2019	Year ended March 31, 2018
Cash used in operating activities		
Loss for the year	$ (16,732)	$ (430,685)
Items not involving cash		
Depreciation	2,264	4,767
Accretion on rehabilitation provision (Note 12)	33,755	24,278
Accrued interest	1,298	2,677
Gain on sale of property and equipment (Note 15)	(454,700)	-
Net impairment (reversal) (Note 16)	(11,116)	(448,166)
Rehabilitation provision recovery (Note 12)	(120,594)	-
Changes in working capital	(350,867)	207,535
Cash used in operating activities	(916,692)	(639,594)
Cash provided by investing activities		
Proceeds from sale of equipment (Note 15)	543,000	1,052,462
Deposit on sale of equipment (Note 15)	-	(350,000)
Release of restricted cash	472,795	507,625
Net advances to Labrador Iron Mines Holdings Limited (Note 17)	(309,623)	(346,404)
Cash provided by investing activities	706,172	1,210,087
Change in cash	(210,520)	224,089
Cash, beginning of year	265,028	40,939
Cash, end of year	$ 54,508	$ 265,028

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

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

	Share Capital		Deficit	Shareholders' Equity
	Number	Amount	Amount	Amount
Balance, March 31, 2017	100,000,000	$ 32,732,207	$ (31,611,490)	$ 1,120,717
Cancellation of LIM common shares (Note 13)	(205,075)	(41,015)	41,015	-
Loss for the year	-	-	(430,685)	(430,685)
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

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, is the Company's principal project.

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 and seeking development financing to resume mining operations when market conditions improve. Should market and economic conditions warrant, and subject to securing working capital and development financing, the Company intends to commence development of its Houston Project.

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurance that exploration, development and mining will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of the Company's interests in its underlying properties, the development of economically recoverable resources, the achievement of profitable operations or the ability of the Company to raise additional financing, or, alternatively, upon the Company's ability to dispose of its non-core interests on an advantageous basis. Changes in future conditions could require material impairment of the carrying values of the Company's assets.

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

Going Concern

As at March 31, 2019, the Company had working capital of $897,005 (2018 - $691,452). The Company believes it has sufficient resources to continue its operations over the next 12 months, based on the Company's expectation that it will generate sufficient proceeds from the sale of surplus assets to fund its corporate and site standby activities. Accordingly, the consolidated financial statements for the year ended March 31, 2019 have been prepared on a going concern basis, using the historical cost convention.

There are no assurances that the Company will be successful in generating sufficient proceeds from the sale of surplus assets to fund its ongoing working capital requirements. If the Company is unable to generate sufficient proceeds, the Company could be required to curtail its operations and discontinue as a going concern. These material uncertainties cause significant doubt about the Company's ability to continue as a going concern. If the going concern assumption were not appropriate, adjustments would be necessary to the carrying values of the assets and liabilities, reported revenues and expenses, and statement of financial position classifications in these consolidated financial statements. Such adjustments could be material.

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.

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

Impairment of mineral property interests and property, plant and equipment
While assessing whether any indications of impairment exist for mineral property interests, consideration is given to both external and internal sources of information. External sources of information include technical reports and arm's length mineral property transaction values. External sources of information also include changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral property interests. Internal sources of information include the manner in which mineral property interests are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future pre-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in an impairment of the carrying amounts of the Company's mineral property interests.

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

Impairment of mineral property interests and property, plant and equipment (continued)

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 8, 9 and 16.

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, 2018 and 2019 the Company completed impairment assessments of its mineral property interests based on a discounted cash flow analysis. Refer to Notes 8 and 16.

Estimation of rehabilitation provision
The rehabilitation cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Rehabilitation costs, including decommissioning, restoration and similar liabilities, are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Refer to Note 12.

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

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

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

Going concern
Refer to Note 1.

Contingencies
Refer to Note 14.

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, 2018 and 2019, 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

Accounting policy under IFRS 9 as applicable from April 1, 2018

Effective April 1, 2018, the Company adopted IFRS 9, Financial Instruments with respect to 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)

Accounting policy under IFRS 9 as applicable from April 1, 2018 (continued)

<u>Financial assets (continued)</u>

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.

<u>Financial liabilities</u>

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)

Accounting policy under IFRS 9 as applicable from April 1, 2018 (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.

Accounting policy under IAS 39 applicable prior to April 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities, was as follows:

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e. the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash, restricted cash and accounts receivable. The Company does not have any derivative instruments. Cash equivalents are classified at fair value through profit or loss. The Company's other financial assets are classified as loans and receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in finance income and finance costs in the consolidated statement of operations and comprehensive loss.

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

4. Significant Accounting Policies (continued)

Accounting policy under IAS 39 applicable prior to April 1, 2018 (continued)

Financial assets (continued)

Accounts receivable

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of operations and comprehensive loss. The losses arising from impairment are recognized in the consolidated statement of operations and comprehensive loss.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the debtor or debtors will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, finance lease obligation, liabilities subject to compromise and other liabilities. The Company did not have any derivative instruments at March 31, 2018 and 2019.

4. Significant Accounting Policies (continued)

Accounting policy under IAS 39 applicable prior to April 1, 2018 (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Other financial liabilities

Borrowings and other financial liabilities, excluding derivative liabilities, are recognized initially at fair value, net of transaction costs incurred and subsequently stated at amortized cost. Any difference between the amounts originally received net of transaction costs and the redemption value is recognized in operations, or capitalized if directly attributable to a qualifying asset, over the period to maturity using the effective interest rate method.

Borrowings and other financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of operations and comprehensive loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

4. Significant Accounting Policies (continued)

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.

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.

4. Significant Accounting Policies (continued)

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, 2018 and 2019.

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, 2018, the Company adopted IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers, which resulted in changes in accounting policies as described below. 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, 2018. There were no effects on opening balances at April 1, 2018 with respect to the adoption of these policies.

IFRS 9, Financial Instruments ("IFRS 9") replaces International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash	Loans and receivables	Amortized cost
Cash equivalents	Held for trading	FVPL
Accounts receivable	Loans and receivables	Amortized cost
Due from Labrador Iron Mines Holdings Limited	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended March 31, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39. There were no effects on opening balances at April 1, 2018 with respect to adoption of IFRS 9.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") addresses how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The Company has adopted this standard effective April 1, 2018. As the Company currently is not earning revenue, there was no impact to the financial statements upon adoption of this standard.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after April 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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 January 1, 2020. Earlier adoption is permitted.

(Expressed in Canadian dollars)

4. Significant Accounting Policies (continued)

Recent accounting pronouncements (continued)

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Company expects there will be no impact to the 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. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company expects there will be no impact to the financial statements upon adoption of this standard.

5. Accounts Receivable and Prepaid Expenses

	March 31, 2019	March 31, 2018
Accounts receivable	$ 38,595	$ 87,876
Refundable taxes	10,177	10,291
Prepaid expenses	-	708
	$ 48,772	$ 98,875

6. Assets Held for Sale

Non-current assets are reclassified as current assets held for sale if their carrying amount will be recovered principally through a sale transaction expected to be completed within one year, rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Refer to Notes 9, 15 and 16.

	Year ended March 31, 2019	Year ended March 31, 2018
Opening balance	$ -	$ 590,001
Additions:		
Plant and equipment (Note 9 and 16)	-	462,461
Disposals:		
Plant and equipment (Note 15)	-	(1,052,462)
Ending balance	$ -	$ -

(Expressed in Canadian dollars)

7. Restricted Cash

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

	March 31, 2019	March 31, 2018
Current portion	$ -	$ 250,920
Non-current portion	1,889,621	2,112,794
	$ 1,889,621	$ 2,363,714

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

8. Mineral Property Interests

LIM and SMI collectively hold a 100% interest in the Schefferville Projects. The Schefferville Projects comprise a series of iron ore deposits located in the Menihek area of western Labrador in the Province of Newfoundland and Labrador and in north-eastern Quebec, near the town of Schefferville, Quebec. Among the Schefferville Projects, the Houston Project, consisting of the Houston and Malcolm properties, is the Company's principal project.

In December 2016 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.

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

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

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

In assessing the fair value of the Company's projects in December 2016, the Company's discounted cash flow model assumed annual production from the Houston Project of approximately 2.0 million tonnes of saleable product per year for ten years at an assumed average long term iron ore price of US$90 per tonne (62% Fe CFR China basis) using a risk adjusted discount rate of 15% and a CAD/US exchange rate of 0.75. This assessment was made in the context of market conditions and trends then prevailing. As at December 2016, the historical five year average price of iron ore was US$95 per tonne.

(Expressed in Canadian dollars)

8. Mineral Property Interests (continued)

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

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

The fully impaired carrying value of the Company's mineral property interests was assessed as at March 31, 2019. Despite an improvement in the spot price of iron ore to above USD$100 per tonne during the year end assessment period, the full impairment of the Company's mineral property interests was maintained as at March 31, 2019 pending further sustainability of such improved market conditions. Refer to Note 16.

The Company's mineral property assets are as follows:

	Mineral property interests $
Cost at:	
March 31, 2017, 2018 and 2019	1
Accumulated depletion at:	
March 31, 2017, 2018 and 2019	-
Net book value at:	
March 31, 2017, 2018 and 2019	1

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

(Expressed in Canadian dollars)

9. Property, Plant and Equipment

Cost at:	Buildings $	Transportation infrastructure $	Beneficiation plant and equipment $	Total $
March 31, 2017	96,585	3,071,243	-	3,167,828
Impairment reversal (Note 16)	-	-	462,461	462,461
Transfer to assets held for sale (Note 6)	-	-	(462,461)	(462,461)
March 31, 2018	96,585	3,071,243	-	3,167,828
Disposal (Note 15)	(96,585)	-	-	(96,585)
Adjustment	-		1	1
March 31, 2019	-	3,071,243	1	3,071,244
Accumulated Depreciation at:				
March 31, 2017	(1,254)	(3,071,243)	-	(3,072,497)
Depreciation	(4,767)	-	-	(4,767)
March 31, 2018	(6,021)	(3,071,243)	-	(3,077,264)
Depreciation	(2,264)	-	-	(2,264)
Disposal (Note 15)	8,285	-	-	8,285
March 31, 2019	-	(3,071,243)	-	(3,071,243)
Net Book Value at:				
March 31, 2018	90,564	-	-	90,564
March 31, 2019	-	-	1	1

Transportation infrastructure includes the Company's rail track.

During the year ended March 31, 2018, certain surplus plant equipment was reclassified as held for sale prior to being sold for cash proceeds during that year. Refer to Note 6.

During the year ended March 31, 2019, certain surplus buildings and equipment were sold for cash proceeds. Refer to Notes 6 and 15.

10. Accounts Payable and Accrued Liabilities

	March 31, 2019	March 31, 2018
Trade payables and accruals	$ 315,764	$ 633,968
Sales taxes and statutory liabilities	28,476	117,745
	$ 344,240	$ 751,713

Refer to Note 18.

(Expressed in Canadian dollars)

11. Royalty

RoyaltyCo was established by LIM In December 2016. LIM and SMI granted RoyaltyCo the right to receive a royalty equal to 2% of the sales proceeds (FOB Port of Sept-Iles) received from sales of iron ore from the Houston and Malcolm properties in exchange for 35,000,000 common shares of RoyaltyCo. The value of the royalty upon date of grant (using a discounted cash flow valuation approach) and the value of the RoyaltyCo common shares received as consideration were estimated at $7,000,000.

LIM distributed all of the shares of RoyaltyCo to creditors of LIM and SMI in December 2016 in partial satisfaction of claims against LIM and SMI.

Refer to Note 16.

12. Rehabilitation Provision

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

At March 31, 2019, the total undiscounted amount of the Company's rehabilitation provision is $1,854,412 and is expected to be incurred between calendar 2019 and 2021. The rehabilitation provision is recognized as $2,134,011 at March 31, 2019 using a discount rate of 1.55% and a two year inflation rate of 2.1%.

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

	Year ended March 31, 2019	Year ended March 31, 2018
Balance, beginning of year	$ 2,253,100	$ 2,402,006
Accretion	33,755	24,278
Change in estimate	167,431	97,615
Reduction	(320,275)	(270,799)
Balance, end of year	$ 2,134,011	$ 2,253,100

13. Share Capital

Authorized
Unlimited common shares, no par value

Issued	Shares #	Amount $
Balance March 31, 2017	100,000,000	32,732,207
Cancellation of common shares	(205,075)	(41,015)
Balance March 31, 2018 and 2019	99,794,925	32,691,192

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

(Expressed in Canadian dollars)

14. 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) All liabilities subject to compromise were extinguished in December 2016 in the Company's Plan of Arrangement with the exception of one unresolved claim in the amount of approximately $3.0 million which has been rejected and remains in dispute. The Company has not recognized the unresolved claim as a liability as the outcome of the claim is not determinable at this time and the full amount of the unresolved claim is treated as a contingent liability.

15. Sale of Property and Equipment

The Company sold various surplus property and equipment for cash proceeds during the years ended March 31, 2018 and 2019. The equipment sold during the year ended March 31, 2018 had been previously subjected to a reversal of impairment and had been transferred into assets held for sale prior to being sold.

	Year ended March 31, 2019	Year ended March 31, 2018
Proceeds of sale	$ 543,000	$ 1,052,462
Carrying value of property and equipment sold	(88,300)	(1,052,462)
Gain on sale	$ 454,700	$ -

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

(Expressed in Canadian dollars)

16. Impairments

	Year ended March 31, 2019	Year ended March 31, 2018
Property, plant and equipment		
Impairment reversal	$ -	$ 462,461
Accounts receivable and prepaid expenses		
Impairment reversal (impairment)	11,116	(14,295)
Net impairment reversal	$ 11,116	$ 448,166

The Company carried out impairment assessments in the years ended March 31, 2018 and 2019 in accordance with the Company's accounting policies and as required by IFRS and IAS 36.

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

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

The fully impaired carrying value of the Company's mineral property interests was assessed as at March 31, 2019. Despite an improvement in the spot price of iron ore to above USD$100 per tonne during the year end assessment period, the full impairment of the Company's mineral property interests was maintained as at March 31, 2019 pending further sustainability of such improved market conditions.

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

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

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

The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. Key estimates and judgments used in the fair value less cost of disposal calculation are estimates of production levels, operating costs and capital expenditures reflected in the project's life of mine plans, a discount rate, as well as economic factors beyond the Company's control, particularly iron ore prices and foreign exchange rates. In the case of the Company's rail infrastructure and equipment, an assessment of the net realizable value of the assets, after consideration of estimated costs of disposal, was performed. Refer to Notes 8 and 9.

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

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

(Expressed in Canadian dollars)

17. Related Party Transactions

During the year ended March 31, 2019 LIMH provided management services at cost in the amount of $588,748 (2018 - $815,232) to the Company. In addition to payment for such management services, the Company advanced a net amount of $309,623 (2018 - $346,404) to LIMH during the year ended March 31, 2019.

As at March 31, 2019, $1,137,965 (2018 - $828,342) 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.

18. Compensation of Key Management Personnel

The remuneration of directors and other key management personnel during the years ended March 31, 2018 and 2019 was as follows:

	Year ended March 31, 2019	Year ended March 31, 2018
Short-term compensation (i)	$ 108,324	$ 168,587

(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, 2019, $231,250 (2018 - $231,250) of short-term compensation remained payable to key management personnel, relating to previous years, which is non-interest bearing and due on demand. This amount is included in accounts payable and accrued liabilities.

19. 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, 2018 and 2019, the Company's financial instruments that are carried at fair value, consisting of cash equivalents, have been classified as Level 1 within the fair value hierarchy.

Fair value

Fair value estimates are made at the financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash, 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.

19. Financial Instruments (continued)

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, 2018 and 2019.

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, 2019, the Company's cash and restricted cash were held in deposits at a major Canadian bank.

As at March 31, 2019, $1,137,965 (2018 - $828,342) was receivable on a net basis by the Company from LIMH and its wholly-owned subsidiary CF. Effective December 19, 2016, LIMH and CF agreed to offset any amounts owing to the Company. The amounts are unsecured and non-interest bearing. The carrying amount of financial assets represents the Company's maximum credit exposure.

ii) *Liquidity risk*

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they come due. As at March 31, 2019, the Company had working capital of $897,005 (2018 - $691,452). The Company believes it will be able to settle its current obligations from the proceeds of sale of surplus assets. Refer to Note 1.

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.

19. Financial Instruments (continued)

Financial risk management (continued)

iv) Interest rate risk

Included in net income for the year ended March 31, 2019 is interest earned on the Company's cash. If interest rates throughout the year ended March 31, 2019 had been 100 basis points higher (lower) then net income would have been approximately $1,500 higher (lower). The Company does not have any variable rate debt obligations which expose it to interest rate risk.

v) Commodity price risk

The future profitability of the Company is directly related to the market price of iron ore. Fluctuations in the iron ore price could create volatility in the Company's future cash flows and the future reported amounts for sales in its consolidated statement of operations and comprehensive income (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, 2018 and 2019.

(Expressed in Canadian dollars)

20. 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% (2018 - 27%) were as follows:

a) Provision for Income Taxes

	Year ended March 31, 2019 $	Year ended March 31, 2018 $
Net loss before income taxes	(16,732)	(430,685)
Expected income tax expense (recovery) based on statutory rate	5,000	(117,000)
Adjustment to expected income tax (recovery) benefit due to:		
Change in benefit of tax assets not recognized	(5,000)	117,000
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, 2019 $	March 31, 2018 $
Non-capital loss carry-forwards	239,929,000	232,652,000
Capital losses	659,000	659,000
Property, plant and equipment	19,576,000	26,250,000
Mineral property costs	35,755,000	35,755,000
Reclamation	2,134,000	2,253,000

The non-capital loss carry-forwards of approximately $239,929,000 expire from 2033 to 2039. 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.