Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

(Unaudited, expressed in Canadian dollars)

The Company's auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three and nine months ended December 31, 2015 and 2014.

1200-220 Bay Street, Toronto, Ontario, M5J 2W4 Tel: (647) 728-4125 Fax: (416) 368-5344
Email: info@labradorironmines.ca Website: www.labradorironmines.ca

LABRADOR IRON MINES HOLDINGS LIMITED
Condensed Interim Consolidated Statements of Financial Position
(Unaudited, expressed in Canadian dollars)

	December 31, 2015 $	March 31, 2015 $
ASSETS		
Current assets		
Cash and cash equivalents	3,642,071	6,421,593
Accounts receivable and prepaid expenses (Notes 6 and 19)	494,804	702,103
Total current assets	4,136,875	7,123,696
Non-current assets		
Restricted cash (Note 5)	3,225,442	3,249,285
Prepaid expenses	150,000	150,000
Mineral property interests (Note 7)	1	1
Property, plant and equipment (Note 8)	3,179,682	8,206,163
Total non-current assets	6,555,125	11,605,449
Total assets	10,692,000	18,729,145
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 9 and 11)	340,854	36,075,610
Repayable advance (Notes 9 and 12)	-	31,772,086
Finance lease obligation (Note 13)	895,361	653,405
Rehabilitation provision (Note 14)	18,000	18,000
Rail construction advance (Note 15)	-	5,000,000
Other liabilities (Note 16)	21,548	21,548
Current liabilities, before the undernoted	1,275,763	73,540,649
Liabilities subject to compromise (Note 9)	70,032,415	-
Total current liabilities	71,308,178	73,540,649
Non-current liabilities		
Finance lease obligation (Note 13)	-	698,024
Rehabilitation provision (Note 14)	3,194,119	3,175,025
Total non-current liabilities	3,194,119	3,873,049
Total liabilities	74,502,297	77,413,698
SHAREHOLDERS' EQUITY		
Share capital (Note 17)	393,524,694	393,524,694
Reserves (Note 18)	10,654,379	12,146,354
Deficit	(467,989,370)	(464,355,601)
Total shareholders' equity	(63,810,297)	(58,684,553)
Total liabilities and shareholders' equity	10,692,000	18,729,145

Going concern (Note 1)
Commitments and contingencies (Notes 7, 13, 14, and 22)

The financial statements were approved by the Board of Directors on February 26, 2016, and signed on its behalf by:

Signed *"John F. Kearney"*	Signed *"D.W. Hooley"*
Director	Director

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

LABRADOR IRON MINES HOLDINGS LIMITED

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Unaudited, expressed in Canadian dollars)

	Three months ended		Nine months ended	
	December 31, 2015 $	**December 31, 2014 $**	**December 31, 2015 $**	**December 31, 2014 $**
Operating expenses				
Site and camp operations	(210,677)	(803,345)	(407,654)	(4,640,693)
Royalties, social development and training	-	(103,279)	-	(1,448,903)
Depletion and depreciation	(8,827)	(1,390)	(26,481)	(2,496,149)
Loss before the undernoted	(219,504)	(908,014)	(434,135)	(8,585,745)
Corporate and administrative costs	(418,567)	(1,176,661)	(1,410,604)	(3,571,819)
Finance lease expenses (Note 13)	(24,616)	(48,446)	(87,298)	(164,753)
Accretion on rehabilitation provision (Note 14)	(4,914)	(15,924)	(19,094)	(47,520)
Foreign exchange loss	(1,285,157)	(878,511)	(3,467,623)	(1,309,761)
Deferred share unit revaluation (Note 15)	-	21,548	-	96,963
Gain on sale of equipment (Note 24)	-	-	590,000	-
Settlement of rail construction advance (Note 15)	-	-	5,000,000	-
Write-downs (Note 25)	-	-	(5,000,000)	(198,168,728)
Interest earned	13,981	20,164	39,929	80,146
	(1,719,273)	(2,077,830)	(4,354,690)	(203,085,472)
Net loss before the undernoted	(1,938,777)	(2,985,844)	(4,788,825)	(211,671,217)
Restructuring items (Note 10)	(105,419)	-	(336,919)	-
Net loss and comprehensive loss for the period	(2,044,196)	(2,985,844)	(5,125,744)	(211,671,217)
Net loss per share				
Basic and diluted	(0.02)	(0.02)	(0.04)	(1.68)
Weighted average number of shares outstanding				
Basic and diluted	126,323,123	126,323,123	126,323,123	126,323,123

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

LABRADOR IRON MINES HOLDINGS LIMITED

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, expressed in Canadian dollars

	Three months ended		Nine months ended	
	December 31, 2015 $	**December 31, 2014 $**	**December 31, 2015 $**	**December 31, 2014 $**
Cash (used in) operating activities				
Net loss for the period	(2,044,196)	(2,985,844)	(5,125,744)	(211,671,217)
Items not involving cash:				
Deferred share unit revaluation	-	(21,548)	-	(96,963)
Depletion and depreciation	8,827	9,324	26,481	2,614,596
Accretion on rehabilitation provision	4,914	15,924	19,094	47,520
Interest on finance lease obligation	24,616	48,446	87,298	164,753
Interest (receivable)/payable	(7,079)	(14,448)	23,843	(42,652)
Unrealized foreign exchange loss	1,285,157	878,511	3,467,623	1,309,761
Gain on sale of equipment (Note 24)	-	-	(590,000)	-
Settlement of rail construction advance (Note 15)	-	-	(5,000,000)	-
Write-downs (Note 25)	-	-	5,000,000	198,168,728
Changes in working capital	(26,078)	364,307	(750,811)	1,483,063
Cash (used in) operating activities	(753,839)	(1,705,328)	(2,842,216)	(8,022,411)
Cash provided by (used in) investing activities				
Proceeds from sale of equipment (Note 24)	-	-	590,000	-
Transfer from current restricted cash (Note 5)	-	1,196,806	-	2,847,958
Additions to mineral property interests	-	-	-	(902,305)
Additions to property, plant and equipment	-	-	-	(1,653,334)
Transfer from non-current restricted cash	-	163,984	-	217,176
Cash provided by (used in) investing activities	-	1,360,790	590,000	509,495
Cash provided by (used in) financing activities				
Proceeds from rail construction advance	-	-	-	3,000,000
Repayment of finance lease obligation	(46,758)	(290,274)	(527,306)	(870,822)
Cash provided by (used in) financing activities	(46,758)	(290,274)	(527,306)	2,129,178
Changes in cash and cash equivalents	(800,597)	(634,812)	(2,779,522)	(5,383,738)
Cash and cash equivalents, beginning of period	4,442,668	2,728,696	6,421,593	7,477,622
Cash and cash equivalents, end of period	3,642,071	2,093,884	3,642,071	2,093,884
Cash and cash equivalents consist of:				
Cash	3,017,027	-	3,017,027	-
Cash equivalents	625,044	2,093,884	625,044	2,093,884
	3,642,071	2,093,884	3,642,071	2,093,884
Supplemental disclosure of cash flow information				
Depreciation included in corporate and administrative costs	-	7,934	-	118,447

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

LABRADOR IRON MINES HOLDINGS LIMITED
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited, expressed in Canadian dollars)

			Reserves					
	Share capital		Warrants		Stock options		Deficit	Shareholders' equity
	Number	Amount	Number	Amount	Number	Amount	Amount	Total
		$		$		$	$	$
Balance, March 31, 2014	126,323,123	393,524,694	15,842,500	5,379,825	1,229,375	8,046,718	(248,965,031)	157,986,206
Expiry of warrants	-	-	(2,042,500)	(756,825)	-	-	756,825	-
Expiry of vested options	-	-	-	-	(77,500)	(271,825)	271,825	-
Loss for the period	-	-	-	-	-	-	(208,685,372)	(208,685,372)
Balance, September 30, 2014	126,323,123	393,524,694	13,800,000	4,623,000	1,151,875	7,774,893	(456,621,753)	(50,699,166)
Expiry of vested options	-	-	-	-	(121,875)	(251,539)	251,539	-
Loss for the period	-	-	-	-	-	-	(7,985,387)	(7,985,387)
Balance, March 31, 2015	126,323,123	393,524,694	13,800,000	4,623,000	1,030,000	7,523,354	(464,355,601)	(58,684,553)
Expiry of vested options	-	-	-	-	(342,500)	(1,491,975)	1,491,975	-
Loss for the period	-	-	-	-	-	-	(5,125,744)	(5,125,744)
Balance, December 31, 2015	126,323,123	393,524,694	13,800,000	4,623,000	687,500	6,031,379	(467,989,370)	(63,810,297)

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

1. Nature of Operations, Financial Restructuring and Going Concern

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

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

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

The Company's head office is located at 220 Bay Street, Suite 1200, Toronto, Ontario, M5J 2W4.

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

Although the Company has taken steps to verify title to its mineral property interests, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory and environmental requirements.

Financial Restructuring

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

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

The Court Order, as subsequently amended and extended, provides creditor protection continuing until June 30, 2016, subject to further amendment and extension, and grants a stay which generally precludes enforcement or collection action being taken against the Company with respect to pre-filing liabilities or contracts. The Order is designed to stabilize operations and business relationships with contractors, suppliers and creditors and to provide an opportunity for the Company to negotiate a settlement of liabilities and a restructuring of major contracts. Should such negotiations be successful, a proposed plan of arrangement to settle liabilities will be presented to the Company's creditors. The plan of arrangement must be approved by the Company's creditors and the Court prior to it being given effect. The Company expects the claims process to be initiated in March 2016 and is working towards submitting a plan of arrangement to creditors by June 30, 2016.

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

Financial Restructuring (continued)

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

Refer to Notes 2, 4, 9 and 10.

Going Concern

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

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

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

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

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

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

2. Basis of preparation

These condensed interim 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 policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34") on a basis consistent with the accounting policies disclosed in the consolidated financial statements of the Company for the year ended March 31, 2015, unless otherwise noted below.

Notwithstanding that the Company instituted proceedings for a financial restructuring under CCAA on April 2, 2015, these condensed interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention. Refer to Notes 1 and 4. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

There have been no changes to the accounting policies or basis of preparation of the financial statements of the Company as a result of its filing under CCAA, except as follows.

Since filing under CCAA on April 2, 2015, the Company has reclassified certain amounts within its financial statements to distinguish transactions and liabilities that are directly associated with the restructuring process from the ongoing operations of the business. Furthermore, liabilities that may be affected by the restructuring plan are presented as liabilities subject to compromise under the CCAA claims process. As at this time, the CCAA claims process has not yet commenced. Refer to Notes 1, 4, 9 and 10.

3. Significant accounting judgments, estimates and assumptions

The preparation of condensed interim 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 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, the areas set out below.

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.

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

Impairment of mineral property interests

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

Cash generating units

Cash generating units ("CGUs") represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets of the Company. This generally results in the Company evaluating its non-financial assets on a geographical and operational basis. The Company generally considers its Schefferville Projects to represent one CGU, as the Schefferville Projects are in close geographical proximity to each other and all share common management, rail, port, processing and mine support infrastructure.

Estimation of rehabilitation provision

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

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-Based Payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

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

Deferral of stripping and dewatering costs

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

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

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

Inventory valuation

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

Commencement of commercial production

During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as property, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Company defines commencement of commercial production as the date that a mine has achieved a sustainable level of production that provides a basis for a reasonable expectation of profitability along with various qualitative factors including but not limited to the achievement of mechanical completion, whether production levels are sufficient to be at least capable of generating sustainable positive cash flow, the working effectiveness of the site processing plant, whether marketing arrangements for the product are in place, whether the product is of sufficient quantity to be sold, whether there is a sustainable level of production input available including power, water, diesel, etc. and whether the necessary permits are in place to allow continuous operations. The condensed interim consolidated financial statements of the Company are prepared on the basis that the Company's producing mine entered commercial production for accounting purposes effective April 1, 2012.

Going concern

Refer to Note 1.

Contingencies

Refer to Note 22.

4. Significant accounting policies

The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB. The Company's significant accounting policies are consistent with those set out in Note 4 to the consolidated financial statements for the year ended March 31, 2015, except as noted below.

Accounting policies under CCAA restructuring

In general, the Company's CCAA filing on April 2, 2015 does not change the manner in which the Company's financial statements are prepared. However, for presentation purposes, financial statements for periods subsequent to the CCAA filing, including interim periods, will distinguish liabilities and expenses that are directly associated with the restructuring from the ongoing liabilities and operations of the business.

The consolidated statement of financial position distinguishes pre-filing liabilities subject to compromise under CCAA from both those pre-filing liabilities that are not subject to compromise and from post-filing liabilities. Liabilities subject to compromise are reported at the amounts recorded in the Company's books and represent the Company's best estimate of known and potential compromised claims and are subject to future adjustment as a result of negotiations, actions of the Court, proof of claim and other events. Resulting adjustments may be material and will be recorded as a restructuring adjustment in a future reporting period. As at this point in time the CCAA claims process is not yet underway. Refer to Note 9.

Expenses and provisions that can be directly associated with the CCAA restructuring are reported separately in the consolidated statement of operations and comprehensive loss as restructuring items. Refer to Note 10.

These accounting policies under CCAA restructuring have been applied effective beginning April 2, 2015 and for subsequent reporting periods while the Company restructures under CCAA.

5. Restricted Cash

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

	December 31, 2015	March 31, 2015
Security for letters of credit	$ 3,225,442	$ 3,249,285

6. Accounts Receivable and Prepaid Expenses

	December 31, 2015	March 31, 2015
Accounts receivable	$ 120,135	$ 188,046
Refundable taxes	18,480	15,792
Prepaid expenses	356,189	498,265
	$ 494,804	$ 702,103

7. Mineral Property Interests

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

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

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

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

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

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

The Company's mineral property assets are as follows:

Cost at:	Producing mine $	Mineral property interests $	Reclamation balance $	Total $
March 31, 2014	25,137,063	81,910,235	3,450,335	110,497,633
Additions	-	1,810,458	-	1,810,458
Adjustment to reclamation balance	-	-	(698,871)	(698,871)
Impairments	-	(83,720,692)	(2,751,464)	(86,472,156)
March 31, 2015 and December 31, 2015	25,137,063	1	-	25,137,064
Accumulated depletion and depreciation				
March 31, 2014	(25,137,063)	-	(2,622,479)	(27,759,542)
Depreciation	-	-	(75,199)	(75,199)
Impairments	-	-	2,697,678	2,697,678
March 31, 2015 and December 31, 2015	(25,137,063)	-	-	(25,137,063)
Net book value at:				
March 31, 2015 and December 31, 2015	-	1	-	1

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

8. Property, Plant and Equipment

Cost at:	Buildings and mine camp $	Office equipment $	Transportation infrastructure and equipment $	Beneficiation plant and equipment $	Total $
March 31, 2014	11,020,000	1,184,874	35,764,158	86,590,870	134,559,902
Additions	130,000	-	620,122	91,122	841,244
Impairments	(10,172,899)	(1,184,873)	(25,813,037)	(86,681,991)	(123,852,800)
March 31, 2015	977,101	1	10,571,243	1	11,548,346
Write-down	-	-	(5,000,000)	-	(5,000,000)
December 31, 2015	977,101	1	5,571,243	1	6,548,346
Accumulated Depreciation at:					
March 31, 2014	(4,606,194)	(657,487)	(8,773,665)	(19,981,353)	(34,018,699)
Depreciation	(952,081)	(79,108)	(926,195)	(108,570)	(2,065,954)
Impairments	5,287,335	736,595	6,628,617	20,089,923	32,742,470
March 31, 2015	(270,940)	-	(3,071,243)	-	(3,342,183)
Depreciation	(26,481)	-	-	-	(26,481)
December 31, 2015	(297,421)	-	(3,071,243)	-	(3,368,664)
Net Book Value at:					
March 31, 2015	706,161	1	7,500,000	1	8,206,163
December 31, 2015	679,680	1	2,500,000	1	3,179,682

Buildings and mine camp at December 31, 2015 includes an asset under finance lease with a carrying value of $Nil (March 31, 2015 - $Nil).

Transportation infrastructure and equipment at December 31, 2015 includes a balance with a carrying value of $2,500,000 consisting of a fleet of railcars which is not being depreciated as the asset is not in use (March 31, 2015 - $7,500,000, including fleet of railcars and rail track).

Transportation infrastructure and equipment at March 31, 2015 included a balance with a carrying value of $7,500,000 consisting of a fleet of railcars and a portion of the Company's rail track. During the quarter ended June 30, 2015, following the sale of the Company's remaining interest in the Howse Deposit to TSMC in March 2015, the Company recorded a write-down of $5,000,000 against the full carrying value of the rail track as the asset is not currently in use by the Company. Refer to Notes 15 and 25.

The Port of Sept-Iles holds a security interest in the Company's fleet of railcars.

9. Liabilities subject to compromise

Liabilities subject to compromise represent liabilities incurred prior to the CCAA filing date of April 2, 2015 which will be dealt with as claims under the CCAA proceedings. The amounts set out below represent the Company's best estimate of known and potential compromised claims and are subject to future adjustment as a result of negotiations, actions of the Court, proof of claim and other events. Resulting adjustments may be material and will be recorded as a restructuring adjustment in a future reporting period.

	December 31, 2015	March 31, 2015
Accounts payable and accrued liabilities	$ 35,361,935	$ -
Repayable advance	34,670,480	-
	$ 70,032,415	$ -

10. Restructuring items

Restructuring items represent expenses, transactions, gains and losses and provisions that can be directly associated with the restructuring of the Company since the CCAA filing date of April 2, 2015.

	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Professional fees	$ 336,919	$ -

11. Accounts Payable and Accrued Liabilities

	December 31, 2015	March 31, 2015
Trade payables and accruals	$ 35,692,122	$ 35,989,057
Sales taxes and statutory liabilities	10,667	86,553
Liabilities subject to compromise	(35,361,935)	-
	$ 340,854	$ 36,075,610

12. Repayable Advance

In May 2013, the Company entered into an arrangement with RBR, pursuant to which RBR provided a repayable advance of $37,520,522 (US$35,000,000) against the sale of future iron ore production by the Company. The repayable advance was intended to be credited against future sales in equal installments coinciding with the timing of seventeen shipments scheduled from August 2013 until December 2014. As at March 31, 2014 and 2015, $15,121,456 (US$14,406,000) of the repayable advance had been credited against seven shipments completed in 2013, leaving a remaining balance of $22,129,066 (US$20,594,000), prior to giving effect to subsequent foreign exchange adjustments and any amounts claimed for default. A financing fee of $4,952,137 (US$4,456,924) was claimed in the year ended March 31, 2015 as a result of the Company's failure to comply with minimum delivery obligations. An additional claim was also made for discounts as a result of delayed deliveries and is treated as a contingent liability. An unrealized foreign exchange adjustment of $2,898,394 was recognized during the nine months ended December 31, 2015.

The repayable advance balance was transferred to liabilities subject to compromise during the three months ended June 30, 2015. Refer to Note 9.

	Nine months ended December 31, 2015	Year ended March 31, 2015
Balance, beginning of period	$ 31,772,086	$ 22,129,066
Financing fee	-	4,952,137
Unrealized foreign exchange adjustment	2,898,394	3,963,980
Deferred arrangement fee impairment	-	726,903
Liabilities subject to compromise	(34,670,480)	-
Balance, end of period	$ -	$ 31,772,086

13. Finance Lease Obligation

The Company entered into a five year lease agreement for an original single floor 71 unit mine camp in 2010. In 2012, a second floor 73 unit expansion was added to the mine camp and the Company entered into a separate five year lease agreement for the second floor expansion. Together, the original mine camp along with the second floor expansion represent a 144 unit two floor mine camp.

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

	Nine months ended December 31, 2015	Year ended March 31, 2015
Balance, beginning of period	$ 1,351,429	$ 2,306,037
Less: payments made during the period	(543,366)	(1,161,096)
Add: Interest accretion	87,298	206,488
Balance, end of period	895,361	1,351,429
Less: current portion, end of period	(895,361)	(653,405)
Non-current portion, end of period	$ -	$ 698,024

The term of the lease on the original 71 unit first floor mine camp expired in May 2015, at which point the Company exercised its option to purchase the original first floor camp. The separate lease for the 73 unit second floor mine camp expansion has a five year term expiring in May 2017 and has a purchase option exercisable at expiry for $100,000.

As at December 31, 2015, future actual minimum lease payments under the lease on the 73 unit second floor mine camp expansion are as follows:

	December 31, 2015
Not later than 1 year	$ 888,402

14. Rehabilitation Provision

Rehabilitation provision represents the legal and contractual obligations associated with the eventual closure of the Company's mining operations either progressively or at the end of the mine life. These obligations consist of costs associated with reclamation and monitoring activities and the removal of tangible assets from the Company's mining sites. During the year ended March 31, 2015 the estimate of the cost associated with the eventual closure of the Company's mining operations and removal of tangible assets from the Company's mine sites was reduced, based on updated closure plans and consultation with applicable regulatory authorities.

At December 31, 2015, the total undiscounted amount of the Company's rehabilitation provision is $3,151,967 and is expected to be incurred between calendar 2015 and 2031. The present value of the rehabilitation provision has been estimated at $3,212,119 at December 31, 2015 using a discount rate ranging from 1.07% to 2.0% and a long-term inflation rate of approximately 1.2%.

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

	Nine months ended December 31, 2015	Year ended March 31, 2015
Balance, beginning of period	$ 3,193,025	$ 3,935,526
Adjustment to provision	-	(789,273)
Accretion expense	19,094	46,772
Balance, end of period	3,212,119	3,193,025
Less: current portion, end of period	(18,000)	(18,000)
Non-current portion, end of period	$ 3,194,119	$ 3,175,025

15. Rail Construction Advance

As part of a strategic co-operation agreement with TSMC, TSMC advanced $5,000,000 to the Company for the purpose of upgrading and modifying the existing rail infrastructure at the Company's Silver Yards site to enable construction of a new extended rail line to connect with TSMC's Timmins area plant near the Howse mine site. During the quarter ended June 30, 2015, repayment of the advance was satisfied by the payment to TSMC by KeRail Inc. ("KeRail") (a wholly owned subsidiary of Genesee & Wyoming Canada Inc. ("G&W")) of an access fee for operating rights on the rail line in Labrador which connects TSMC's Timmins Area plant, through the Company's Silver Yards site, to the TSH main line, as approved by the Minister of Transportation of the Government of Newfoundland and Labrador, pursuant to agreements between TSMC, KeRail and the Company entered into in 2013, as amended in 2014. The Silver Yards to Timmins rail line is operated by Knob Lake & Timmins Railway Company Inc., a subsidiary of G&W and a sister company of KeRail and Western Labrador Rail Services Inc.

16. Other Liabilities

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

A summary of deferred share units issued is presented below:

	Number	Fair value
Balance, March 31, 2014	1,077,362	129,283
Revaluation	-	(107,735)
Balance, March 31, 2015 and December 31, 2015	1,077,362	$ 21,548

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

17. Share Capital

Authorized
Unlimited common shares, no par value

Issued	Shares #	Amount $
Balance March 31, 2014, March 31, 2015 and December 31, 2015	126,323,123	393,524,694

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

18. Reserves

(a) Stock options

The Company operates a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options cannot exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the Board of Directors at no lesser than the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

A summary of the Company's options at December 31, 2015 and March 31, 2015 and the changes for the periods then ended is presented below.

	Nine months ended December 31, 2015		Year ended March 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,030,000	$ 4.86	1,229,375	$ 4.83
Expiry of vested options	(342,500)	5.10	(199,375)	4.32
Outstanding, end of period	687,500	$ 4.75	1,030,000	$ 4.86

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

Options Outstanding and Exercisable			
Number	Weighted Average Exercise Price	Expiry Date	Grant Date Fair Value
100,000	$ 6.80	September 22, 2016	$ 509,000
40,000	6.81	November 10, 2016	195,600
200,000	6.35	November 30, 2016	924,000
347,500	3.00	July 2, 2017	713,525
687,500	$ 4.75		$ 2,342,125

There were no options granted during the nine months ended December 31, 2015 (December 31, 2014 – Nil).

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

The weighted average contractual life remaining for outstanding and exercisable options at December 31, 2015 is 1.2 years (March 31, 2015 – 1.7 years).

18. Reserves (continued)

(b) **Warrants**

A summary of the Company's share purchase warrants at December 31, 2015 and March 31, 2015 and the changes for the periods then ended is presented below.

	Nine months ended December 31, 2015		Year ended March 31, 2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning	13,800,000	$ 1.35	15,842,500	$ 1.31
Expired	-	-	(2,042,500)	1.03
Outstanding, end	13,800,000	$ 1.35	13,800,000	$ 1.35

As at December 31, 2015, the Company had 13,800,000 outstanding exercisable warrants, with a weighted average remaining contractual life of 0.1 years, as follows:

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

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

(c) **Reserves**

A summary of the reserves account is presented below:

Balance, March 31, 2014	$ 13,426,543
Expiry of vested options	(523,364)
Expiry of warrants	(756,825)
Balance, March 31, 2015	$ 12,146,354
Expiry of vested options	(1,491,975)
Balance, December 31, 2015	$ 10,654,379

19. Related Party Transactions and Compensation of Key Management Personnel

At December 31, 2015, $35,400 (March 31, 2015 - $35,400) remained receivable from corporations with common directors and/or officers in respect of office rent.

During the nine months ended December 31, 2015, the Company incurred management compensation costs payable to companies with common directors and/or officers in the amount of $150,000 (December 31, 2014 - $150,000). At December 31, 2015, $689,417 (March 31, 2015 - $653,084) in management compensation remained payable to these related companies. These amounts payable are unsecured and non-interest bearing with no fixed repayment terms.

During the nine months ended December 31, 2015, the Company incurred legal fees in respect of services provided by a professional corporation controlled by an officer in the amount of $85,480 (December 31, 2014 - $171,380). At December 31, 2015, $12,680 (March 31, 2015 - $41,120) remained payable to this related party for legal fees. This amount payable is non-interest bearing with no fixed repayment terms.

Compensation of key management personnel of the Company

The remuneration of key management personnel during the nine months ended December 30, 2015 and 2014 was as follows:

	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Short-term compensation (i)	$ 706,283	$ 569,461

(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 period. 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.

20. Capital Management

The capital of the Company consists of common shares, stock options, share purchase warrants and finance leases. There were no changes to the Company's approach to capital management during the nine months ended December 31, 2015. 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, development and maintenance of its mineral properties. The issuance of common shares requires approval from the Board of Directors. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the Company's management to sustain future development of the business. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore, develop and produce from its Schefferville Projects for the benefit of its stakeholders. The Company uses stock options primarily to retain and provide incentives to employees and consultants. The granting of stock options is primarily determined by the Board of Directors.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

21. Revenue, net

Revenue from mining operations recognized by the Company is calculated based on the actual realized price (i.e. CFR China price plus or minus value-in-use adjustments less sales discounts) of a shipment of iron ore resold in China, less shipping costs and any sales participation, which includes product handling, ship loading and off-take related costs. The Company had no sales of iron ore during the nine months ended December 31, 2015 and 2014.

22. Commitments and Contingencies

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

Not later than 1 year	$	54,064,500
Later than 1 year, not later than 5 years		82,401,125
Later than 5 years		19,115,500
	$	155,581,125

The Company's position is that the above contracts have been suspended and that the future commitments will not be enforced. As a result, no liabilities relating to these contracts have been recognized in these condensed interim consolidated financial statements for the nine months ended December 31, 2015. It is possible that certain counterparties may have a different interpretation of whether such contracts are in fact suspended, the enforceability and effective timing of such suspension, or whether such suspension triggers any claim for damages. Refer to Note 22(e).

(b) 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.

(c) Refer to Note 13 for finance lease obligation.

(d) The Company has indemnified the subscribers of flow-through shares issued prior to March 31, 2012against any tax related amounts that may become payable as a result of the Company not making eligible expenditures.

22. Commitments and Contingencies (continued)

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

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

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

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

The Court Order under the Company's CCAA proceedings, as amended and extended, provides creditor protection continuing until June 30, 2016, subject to further amendment and extension, and grants a stay which generally precludes enforcement or collection action being taken against the Company with respect to pre-CCAA liabilities or contracts. Refer to Note 1.

The Company believes that it is possible that future changes to its estimates of accrued liabilities could be material. The Company is not able to estimate a range of possible amounts in excess of the amount accrued because there are significant factual and legal issues to be resolved. The Company plans to undertake a proof of claims process under the CCAA court proceedings prior to June 30, 2016.

(f) The Company has been served with various legal actions or demand notices with respect to amounts claimed due under certain of the Company's contracts. The Company has recognized in accounts payable and accrued liabilities its best estimate of the probable amount due with respect to such legal actions or demand notices. To the extent the Company believes amounts claimed under the legal actions or demand notices are without merit, the Company has not recognized such portions as a liability. Such unrecognized amounts have been treated as contingent liabilities. As at December 31, 2015, the aggregate amount of contingent liabilities with respect to various legal actions or demand notices is approximately $12.6 million.

(g) As permitted under CCAA proceedings, the Company disclaimed certain contracts in April 2015, including its head office lease, a regional office lease and certain office equipment and telecommunications contracts. This may lead to claims for damages. The Company may potentially disclaim additional contracts in the future.

23. Financial Instruments

Fair Value Hierarchy

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

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

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

Fair value

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

Financial risk management

This section provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk and how the Company manages those risks. The Company's objectives and management of risks did not change significantly during the nine months ended December 31, 2015.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and equivalents and accounts receivable. The Company does not currently hold derivative type instruments that would require a counterparty to fulfill a contractual obligation. The Company has never held any asset backed paper instruments. The Company seeks to place its cash and cash equivalents with reputable financial institutions.

At December 31, 2015, the Company's cash and cash equivalents were held in deposits and in an investment grade short term money market fund at a major Canadian bank. Accounts receivable consist of amounts owing from the sale of iron ore and sales tax recoverable from the Government of Canada. The carrying amount of financial assets represents the Company's maximum credit exposure.

ii) Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they come due. As at December 31, 2015, the Company had a working capital deficit of $67,171,303, including liabilities subject to compromise in the amount of $70,032,415. Notwithstanding the ending working capital deficit, the Company believes it will be able to settle its current obligations based on the Company's expectation that it will successfully complete a settlement of liabilities subject to compromise under the CCAA process commenced on April 2, 2015. Refer to Note 1.

23. Financial Instruments (continued)

Financial risk management (continued)

iii) Foreign currency risk

The majority of the Company's cash flows and financial assets and liabilities, other than the repayable advance, are denominated in Canadian dollars, which is the Company's functional and reporting currency. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. The repayable advance is denominated in U.S. dollars. Refer to Note 19.

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

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

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

iv) Interest rate risk

Included in net loss for the nine months ended December 31, 2015 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the nine months ended December 31, 2015 had been 100 basis points higher (lower) then the loss would have been approximately $36,000 lower (higher). The Company does not have any variable rate debt obligations which expose it to interest rate risk.

v) Commodity price risk

The future profitability of the Company is directly related to the market price of iron ore. Fluctuations in the iron ore price could create volatility in the Company's future cash flows and the future reported amounts for sales in its consolidated statement of operations and comprehensive loss, both on a period-to-period basis and compared with operating budgets and forecasts. In addition, a drop in actual iron ore prices or expected long-term iron ore prices could impact the Company's ability to raise additional financing, if required, to complete the development of its properties, and development could also be halted if iron ore prices fall below expected operating costs. If the iron ore price throughout the nine months ended December 31, 2015 had been $10 higher (lower) then revenue would have been $Nil higher (lower) (December 31, 2014 - $Nil). The Company did not have any sales of iron ore during the nine months ended December 31, 2015 and 2014.

24. Sale of Equipment

In the quarter ended September 30, 2015, the Company completed the sale of certain surplus generators for cash proceeds of $590,000. The carrying value of such equipment had previously been impaired, resulting in a gain of $590,000 being recognized on the sale in that quarter.

	Three months ended		Nine months ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	$	$	$	$
Proceeds of sale	-	-	590,000	-
Carrying value	-	-	-	-
Gain on sale	-	-	590,000	-

25. Write-downs

	Three months ended		Nine months ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	$	$	$	$
Accounts receivable and prepaid expenses	-	-	-	(1,124,266)
Inventories	-	-	-	(1,859,158)
Long term prepaid expenses, advances and deferred expenses	-	-	-	(19,601,625)
Mineral property interests	-	-	-	(84,473,349)
Property, plant and equipment	-	-	(5,000,000)	(91,110,330)
	-	-	(5,000,000)	(198,168,728)

The Company carried out an impairment assessment as at September 30, 2014 in accordance with the Company's accounting policies and as required by IAS 36, using prevailing iron ore prices, current mining and transportation contract terms and current ocean freight from Eastern Canada to China. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount.

As at September 30, 2014 it was determined that, based on prevailing iron ore prices, existing contract terms and prevailing ocean freight from Eastern Canada to China, the carrying value exceeded the recoverable amount of certain assets. Accordingly, a non-cash impairment totaling $198,168,728 was recognized at September 30, 2014.

Following the sale of the Company's remaining interest in the Howse Deposit to TSMC, the Company recorded a write-down of $5,000,000 against the full carrying value of the rail track on June 30, 2015 as the asset was no longer in active use by the Company. Refer to Notes 8 and 15.