Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2021 and 2020

(Unaudited, expressed in Canadian dollars)

The Company's auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2021 and 2020.

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

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

	June 30, 2021	March 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 357,420	$ 328,056
Restricted cash (Note 6)	80,258	80,258
Accounts receivable and prepaid expenses (Note 5)	18,739	302,447
Total current assets	456,417	710,761
Non-current assets		
Restricted cash (Note 6)	948,822	949,175
Prepaid exploration expenses	20,683	20,683
Exploration and evaluation assets (Note 7)	26,407,892	26,400,317
Property, plant and equipment (Note 8)	1	1
Total non-current assets	27,377,398	27,370,176
Total assets	$ 27,833,815	$ 28,080,937
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9, 18 and 19)	$ 799,279	$ 842,848
Total current liabilities	799,279	842,848
Non-current liabilities		
Accrued liabilities (Notes 9 and 19)	231,250	231,250
Rehabilitation provision (Note 10)	1,145,679	1,145,067
CEBA loan (Note 11)	40,000	40,000
Total non-current liabilities	1,416,929	1,416,317
Total liabilities	2,216,208	2,259,165
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	395,687,172	395,687,172
Reserves (Note 14)	751,779	699,491
Deficit	(382,837,457)	(382,609,000)
Non-controlling interest (Note 12)	12,016,113	12,044,109
Total shareholders' equity	25,617,607	25,821,772
Total liabilities and shareholders' equity	$ 27,833,815	$ 28,080,937

Going concern (Note 1)
Commitments and contingencies (Note 17)

The financial statements were approved by the Board of Directors on August 12, 2021 and signed on its behalf by:

Signed *"John F. Kearney"*
Director

Signed *"D.W. Hooley"*
Director

The accompanying notes form an integral part of these condensed interim 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 June 30, 2021	Three months ended June 30, 2020
Operating expenses		
Site management	$ (59,643)	$ (19,503)
Loss before the undernoted	(59,643)	(19,503)
Corporate and administrative costs	(144,357)	(96,609)
Share based compensation (Note 15)	(52,288)	-
Accretion (Note 10)	(612)	(1,857)
Interest earned	447	520
	(196,810)	(97,946)
Comprehensive loss for the period	(256,453)	(117,449)
Net comprehensive loss attributable to:		
Shareholders of Labrador Iron Mines Holdings Limited	(228,457)	(115,470)
Non-controlling interest (Note 12)	(27,996)	(1,979)
	(256,453)	$ (117,449)
Loss per share		
Basic and diluted	$ (0.00)	$ (0.00)
Weighted average number of shares outstanding		
Basic and diluted	162,364,427	162,364,427

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 June 30, 2021	Three months ended June 30, 2020
Cash (used in) operating activities		
Net (loss) for the period	$ (256,453)	$ (117,449)
Items not involving cash		
Accretion (Note 10)	612	1,857
Accrued interest	353	19,427
Share based compensation (Note 15)	52,288	-
Changes in working capital	(9,861)	(91,963)
Cash (used in) operating activities	(213,061)	(188,128)
Cash provided by investing activities		
Proceeds from the assignment of rights (Note 5)	250,000	-
Investment in exploration and evaluation assets (Note 7)	(7,575)	-
Cash provided by investing activities	242,425	-
Cash provided by financing activities		
Proceeds of CEBA loan (Note 11)	-	40,000
Cash provided by financing activities	-	40,000
Change in cash and cash equivalents	29,364	(148,128)
Cash and cash equivalents, beginning of period	328,056	253,712
Cash and cash equivalents, end of period	$ 357,420	$ 105,584
Cash and cash equivalents consist of:		
Cash	$ 357,218	$ 105,382
Cash equivalents	202	202
	$ 357,420	$ 105,584

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 Shareholders' Equity
(Unaudited, expressed in Canadian dollars)

	Share Capital		Reserves	Deficit	Non-Controlling Interest	Shareholders' (Deficiency) Equity
	Number	Amount	Amount	Amount	Amount	Total
Balance, March 31, 2020	162,364,427	$ 395,687,172	$ -	$ (395,623,844)	$ (607,635)	$ (544,307)
Net (loss) for the period	-	-	-	(115,470)	(1,979)	(117,449)
Balance, June 30, 2020	162,364,427	395,687,172	-	(395,739,314)	(609,614)	(661,756)
Transfer of DSUs	-	-	383,541	-	-	383,541
Vesting of RSUs	-	-	315,950	-	-	315,950
Income for the period	-	-	-	13,130,314	12,653,723	25,784,037
Balance, March 31, 2021	162,364,427	395,687,172	699,491	(382,609,000)	12,044,109	25,821,772
Net (loss) for the period	-	-	-	(228,457)	(27,996)	(256,453)
Vesting of RSUs	-	-	52,288	-	-	52,288
Balance, June 30, 2021	162,364,427	$ 395,687,172	$ 751,779	$ (382,837,457)	$ 12,016,113	$ 25,617,607

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

1. Nature of Operations and Going Concern

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of parent company Labrador Iron Mines Holdings Limited ("LIMH") and its majority owned subsidiaries Labrador Iron Mines Limited ("LIM"), Schefferville Mines Inc. ("SMI"), Centre Ferro Ltd. and Labrail Inc.

LIMH owns 52% (2020 - 52%) of the common shares of LIM and LIM owns 100% of the common shares of SMI.

LIMH owns 100% of the common shares of Centre Ferro Ltd. and Labrail Inc.

Non-controlling interest represents the 48% equity interest in LIM not owned by LIMH. Refer to Note 12.

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

Nature of Operations

Labrador Iron Mines Holdings 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 primary exploration and evaluation assets are iron ore projects in western Labrador and northeastern Quebec, near the town of Schefferville, Quebec (collectively, the "Schefferville Projects"). Among the Schefferville Projects, the Houston Project, consisting of the Houston and Malcolm properties, and the Elizabeth Taconite Property, are the Company's principal projects.

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

The Company did not conduct mining operations, other than reclamation and standby activities, during the three months ended June 30, 2021 or 2020. The Company is currently focused on planning the development of its Houston Project, completing reclamation of its previous mined properties and maintaining its other mineral claims and mining concessions. Subject to securing construction financing, the Company plans to commence construction 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 recoverability of the carrying value of assets and the Company's continued existence are dependent upon the preservation of the Company's interests in its underlying properties, the development of economically recoverable resources, the achievement of profitable operations or the ability of the Company to raise additional financing, or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material impairment of the carrying values of the Company's assets.

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

Going Concern

At June 30, 2021, the Company had a working capital deficit of $342,862 (March 31, 2021 - working capital deficit of $132,087). Notwithstanding its working capital deficit, the Company believes it has sufficient resources to continue its operations over the next 12 months, based on the Company's expectation that it will generate sufficient proceeds from the sale of surplus assets and the release of restricted cash to fund its corporate and site standby activities. Accordingly, the condensed interim consolidated financial statements for the three months ended June 30, 2021 have been prepared on a going concern basis, using the historical cost convention.

1. Nature of Operations and Going Concern (continued)

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

Furthermore, the Company's ability to develop the Houston Project is dependent on completing additional construction financing. Even if the Company is successful in funding its immediate working capital requirements, if the Company is unable to obtain additional construction financing on a timely basis or on reasonable or acceptable terms, the Company will be unable to pursue development of its Houston Project.

The Company's operations and financial condition could be adversely affected by the effects of the Covid-19 pandemic. The Company has followed the instructions and advice of Federal and Provincial health authorities by working remotely and limiting field activities to help control the spread of the virus. The Company cannot accurately predict the impact the pandemic will have on its operations, schedules and timelines for planned development or exploration programs. In addition, the pandemic has disrupted the economies and financial markets of many countries, which could adversely affect the market for the Company's products and/or the Company's ability to secure financing.

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 accounting 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, 2021.

These condensed interim 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.

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

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

Impairment of exploration and evaluation assets and property, plant and equipment
While assessing whether any indications of impairment exist for exploration and evaluation assets, 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 exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets 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 exploration and evaluation assets.

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

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

These determinations and their individual assumptions require that management make decisions based on the best available information at each reporting period. Refer to Notes 7 and 8.

Estimation of rehabilitation provision
The rehabilitation cost estimates are updated annually to reflect known developments (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Rehabilitation costs, including decommissioning, restoration and similar liabilities, are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Refer to Note 10.

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 behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Going concern
Refer to Note 1.

Contingencies
Refer to Note 17.

4. Significant Accounting Policies

Basis of consolidation

The financial statements consolidate the financial statements of Labrador Iron Mines Holdings Limited and its subsidiaries, Labrador Iron Mines Limited, Schefferville Mines Inc., Labrail Inc. and Centre Ferro Ltd. 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 inter-entity 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.

Deferred share units

Directors and key senior employees of the Company may receive as partial compensation deferred share units ("DSUs") under the terms of the Company's deferred share unit plan. The fair value of DSUs at the time of award or redemption, as applicable, is determined with reference to the weighted average trading price of the Company's common shares over the five trading days immediately preceding the date of award or redemption, as applicable.

When recognized as a liability account balance, the fair value of DSUs is recognized as a share-based payment expense with a corresponding increase in liabilities, over the period from the date of award to settlement date. The fair value of the DSUs is marked to the quoted market price of the Company's common shares at each reporting date with a corresponding change in the consolidated statement of operations and comprehensive income.

When recognized as a reserve account balance, the fair value of DSUs is recognized as a share-based payment expense with a corresponding charge to reserves on the date of award and is not revalued at subsequent reporting dates.

Restricted share units

Directors and key senior employees of the Company may receive as partial compensation restricted share units ("RSUs") under the terms of the Company's restricted share unit plan. The fair value of RSUs at the time of vesting is determined with reference to the weighted average trading price of the Company's common shares over the five trading days immediately preceding the vesting date.

RSUs are recognized as a reserve account balance when vested. The fair value of RSUs is recognized as a share-based payment expense with a corresponding charge to reserves on the vesting date.

4. Significant Accounting Policies (continued)

Exploration and evaluation assets

Mineral exploration and evaluation costs, including the cost of acquiring licenses, are capitalized as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a license is relinquished or a project is abandoned, the related costs are recognized in operations immediately. Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) fact and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are stated at cost, less accumulated impairment.

All of the Company's properties are categorized as exploration and evaluation assets at June 30, 2021.

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.

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.

(Unaudited, expressed in Canadian dollars)

4. Significant Accounting Policies (continued)

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.

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, warrants, DSUs and RSUs 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 common share equivalents that would increase earnings per share or decrease (loss) per share. There were no stock options or warrants outstanding during the three months ended June 30, 2021 and 2020.

5. Accounts Receivable and Prepaid Expenses

	June 30, 2021	March 31, 2021
Accounts receivable (i)	$ -	$ 250,000
Refundable taxes	18,739	52,447
	$ 18,739	$ 302,447

(i) The accounts receivable balance at March 31, 2021 consisted of the final instalment of $250,000 due on the assignment of certain rights to a rail siding. The full amount of the final instalment was received in June 2021.

6. Restricted Cash

Restricted cash consists of term deposits assigned by the Company to its bank, mainly as security for letters of credit issued to government regulatory authorities for rehabilitation and closure obligations. Refer to Note 10.

	June 30, 2021	March 31, 2021
Current	$ 80,258	$ 80,258
Non-current	948,822	949,175
Restricted cash	$ 1,029,080	$ 1,029,433

Current restricted cash is expected to be released within one year of the reporting date.

(Unaudited, expressed in Canadian dollars)

7. Exploration and Evaluation Assets

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

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

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

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.

Certain historical stockpiles are subject to a 50% net profit interest and the Elizabeth Taconite Property is subject to a deferred payment of $500,000 upon commencement of commercial production.

During the years ended March 31, 2015 and 2017, the carrying value of the Company's exploration and evaluation assets was impaired based on an assessment using then-prevailing economic conditions. The full impairment of the Company's exploration and evaluation assets was maintained as at March 31, 2020, pending additional evidence of a sustainable improvement in market conditions.

During the year ended March 31, 2021, the iron ore market continued to improve and the Company commissioned an independent Preliminary Economic Assessment ("PEA") of the Houston Project. The PEA dated February 26, 2021 reported a base case net present value ("NPV"), using a discounted cash flow methodology, of $109,139,582, which the Company has used as an estimate of the Houston Project's value-in-use. Base case assumptions included a long term iron ore price of US$90/tonne; production of 2 million tonnes of iron ore per year; a 12 year mine life; a discount rate of 8%; and a USD/CAD foreign exchange rate of 1.33. Based on the results of the PEA, the Company recognized an impairment reversal of $25,963,413 of the Houston Project, representing the full pre-impairment net book value of the Houston Project.

The Company's exploration and evaluation assets are as follows:

	Exploration and Evaluation Assets
Cost at:	
March 31, 2020	$ 1
Impairment reversal	25,963,413
Additions	436,903
March 31, 2021	26,400,317
Additions	7,575
June 30, 2021	26,407,892
Accumulated depletion:	
March 31, 2020 and 2021 and June 30, 2021	-
Net book value at:	
March 31, 2020	$ 1
March 31, 2021	$ 26,400,317
June 30, 2021	$ 26,407,892

All of the Company's properties are currently categorized as exploration and evaluation assets.

(Unaudited, expressed in Canadian dollars)

8. Property, Plant and Equipment

	Beneficiation plant and equipment	Total
Cost at:	$	$
March 31, 2020 and 2021 and June 30, 2021	1	1
Accumulated Depreciation at:		
March 31, 2020 and 2021 and June 30, 2021	-	-
Net Book Value at:		
March 31, 2020 and 2021 and June 30, 2021	1	1

9. Accounts Payable and Accrued Liabilities

	June 30, 2021	March 31, 2021
Current		
Trade payables and accruals	$ 611,069	$ 685,542
Sales taxes and statutory liabilities	188,210	157,306
	799,279	842,848
Non-current		
Accrued liabilities	231,250	231,250
	$ 1,030,529	$ 1,074,098

The full balance of the non-current accrued liabilities is deferred executive compensation with respect to the years ended March 31, 2016 and 2017. The balance is unsecured, non-interest bearing and payable on or after July 1, 2022.

Refer to Note 19.

10. Rehabilitation Provision

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

At June 30, 2021, the total undiscounted amount of the Company's rehabilitation provision is $907,919 and is expected to be incurred between calendar 2021 and 2022. The rehabilitation provision is recognized as $1,145,679 at June 30, 2021 using a discount rate of 1.46% and an inflation rate of 2.0%.

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

	Three Months ended June 30, 2021	Year ended March 31, 2021
Balance, beginning of period	$ 1,145,067	$ 1,593,569
Accretion	612	7,137
Change in estimate	-	(21,134)
Reduction	-	(434,505)
Balance, end of period	$ 1,145,679	$ 1,145,067

(Unaudited, expressed in Canadian dollars)

11. Government Assistance

On April 30, 2020, the Company received a loan in the principal amount of $40,000 under the Canada Emergency Business Account ("CEBA") program launched by the Government of Canada as a Covid-19 pandemic relief measure. The CEBA loan is unsecured and non-interest bearing during an initial term ending December 31, 2022. Thereafter, the CEBA loan will continue to be unsecured but will bear interest of 5% per year during an extended term ending December 31, 2025.

	June 30, 2021	March 31, 2021
CEBA loan	$ 40,000	$ 40,000

During the three months ended June 30, 2021, the Company received $26,264 (three months ended June 30, 2021 - $33,854) in wage subsidy from the Government of Canada under the Canada Emergency Wage Subsidy ("CEWS") program, which has been credited against corporate and administrative costs. The CEWS wage subsidy is not repayable.

12. Non-Controlling Interest

Non-controlling interest ("NCI") represents the 48% (2020 - 48%) equity share of LIMH's subsidiary LIM not owned by LIMH.

On initial recognition, NCI was measured at the proportionate share of LIM equity when the NCI was established in December 2016. Subsequently, adjustments are made to the carrying amount representing the NCI's proportionate share of changes to LIM's equity.

Refer to Note 1.

	Three months ended June 30, 2021	Year ended March 31, 2021
Beginning balance	$ 12,044,109	$ (607,635)
Net (loss) income of LIM attributable to non-controlling interest	(27,996)	12,651,744
Ending balance	$ 12,016,113	$ 12,044,109

13. Share Capital

Authorized
Unlimited common shares, no par value

Issued	Shares #	Amount $
Balance, March 31, 2020 and 2021 and June 30, 2021	162,364,427	395,687,172

(Unaudited, expressed in Canadian dollars)

14. Reserves

(a) Deferred Share Units

On April 1, 2012, the Company adopted a 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 DSU entitles the holder to receive, after deduction of any applicable taxes and other required source deductions, at the Company's option: (i) a common share issued from treasury; (ii) a cash payment equal to the market value of a common share; or (iii) a cash payment used to purchase a common share on the open market on behalf of the participant.

As at and prior to March 31, 2020, DSUs were classified as Other Liabilities, on the assumption that they would likely be settled in cash upon redemption. Effective March 31, 2021, DSUs were reclassified as a Reserve account balance, based on a revised assumption that they would more likely be settled in common shares upon redemption.

A summary of DSUs in Reserves is presented below:

	DSUs in Reserves	
	Number	Reserves
Balance, March 31, 2020	-	$ -
Transfer from Other Liabilities	1,077,362	383,541
Balance, March 31, 2021 and June 30, 2021	1,077,362	$ 383,541

Effective March 31, 2014, granting of additional DSUs was suspended. All outstanding DSUs are fully vested.

(b) Restricted Share Units

Effective March 31, 2021, the Company adopted and implemented a rolling Restricted Share Unit Plan ("RSU Plan") whereby the Company may issue up to 5% of its issued capital as Restricted Share Units (each, an "RSU") to eligible directors, officers, employees and consultants.

The RSU Plan was adopted to provide remuneration and long-term incentives to the Company's directors, executives, employees and service providers, while preserving the Company's cash, and to align the interests of such persons with the long term interests of shareholders. Upon vesting, each RSU entitles the grantee the right to receive, on or after the payout election date and until the expiry date, after deduction of any applicable taxes and other required source deductions, at the Company's option: (i) a common share issued from treasury; (ii) a cash payment equal to the market value of a common share; or (iii) a cash payment used to purchase a common share on the open market on behalf of the participant.

The following table sets out the activity of RSUs granted during the three months ended June 30, 2021.

	RSU Activity	
	Three months ended June 30, 2021	Year ended March 31, 2021
	Number	Number
Balance, beginning of period	1,475,000	-
Granted during the period	100,674	1,475,000
Balance, end of period	1,575,674	1,475,000

(Unaudited, expressed in Canadian dollars)

14. Reserves (continued)

(b) Restricted Share Units (continued)

The following table sets out the terms of RSUs granted as at June 30, 2021:

RSU Terms				
Number	Grant Date	Vesting Date	Commencement of Payout Election Period	Expiry Date
887,500	March 31, 2021	March 31, 2021	January 1, 2022	December 31, 2024
587,500	March 31, 2021	March 31, 2022	January 1, 2023	December 31, 2024
100,674	June 30, 2021	March 31, 2022	April 1, 2023	December 31, 2024
1,575,674				December 31, 2024

(c) Reserves

A summary of activity in the Reserves account balance is presented below:

	Three months ended June 30, 2021	Year ended March 31, 2021
Balance, beginning of the period	$ 699,491	$ -
Transfer of 1,077,362 DSUs	-	383,541
Full recognition of 887,500 RSUs	-	315,950
Partial recognition of 587,500 RSUs	52,288	-
Balance, end of period	$ 751,779	$ 699,491

On March 31, 2021, 1,077,362 previously issued fully vested DSUs were transferred from Other Liabilities to Reserves, based on a revised assumption that they would more likely be settled in common shares upon redemption.

887,500 RSUs granted on March 31, 2021 were fully recognized in Reserves on their grant date as they fully vested on grant date. The market value of common shares of the Company was $0.356 per share on March 31, 2021.

587,500 RSUs granted on March 31, 2021 (which do not vest until March 31, 2022) have been partially recognized in Reserves during the three months ended June 30, 2021 using the graded vesting method of recognition based on their grant date market value of common shares of the Company.

The 100,674 RSUs granted on June 30, 2021 (which do not vest until March 31, 2022) will be recognized in Reserves in ensuing periods until their vesting date using the graded vesting method of recognition based on the market value of common shares of the Company on their grant date of June 30, 2021, which was $0.30.

(Unaudited, expressed in Canadian dollars)

15. Share Based Compensation

Share based compensation consists of compensation to directors, employees and consultants in the form of stock options, DSUs and RSUs.

	Three months ended June 30, 2021	Year ended March 31, 2021
Revaluation of 1,077,362 DSUs (Note 14(a))	$ -	$ 361,993
Full recognition of 887,500 RSUs (Note 14(c))	-	315,950
Partial recognition of 587,500 RSUs (Note 14(c))	52,288	-
	$ 52,288	$ 677,943

There were no stock options granted, issued or outstanding as at June 30, 2021.

16. Capital Management

The capital of the Company consists of share capital and reserves. There were no changes to the Company's approach to capital management during the periods ended June 30, 2021 and March 31, 2020 and 2021, other than the adoption and implementation of the RSU Plan effective March 31, 2021. The Company is not subject to externally imposed capital requirements.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of its mineral properties. The issuance of common shares requires approval from the Board of Directors. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the Company's management to sustain future development of the business. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore, develop and produce from its Schefferville Projects for the benefit of its stakeholders. The Company uses stock options, DSUs and RSUs to retain and provide incentives to directors, employees and consultants. The granting of stock options, DSUs and RSUs is primarily determined by the Board of Directors. No stock options were granted or outstanding as at June 30, 2021.

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

17. Commitments and Contingencies

(a) The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(b) The Company is party to one unresolved claim from 2016 in the amount of approximately $3.0 million which has been rejected and remains in dispute. The Company has not recognized the unresolved claim as a liability as the outcome of the claim is not determinable at this time and the full amount of the unresolved claim is treated as a contingent liability.

(Unaudited, expressed in Canadian dollars)

18. Related Party Transactions

During the three months ended June 30, 2021, the Company incurred office rent of $6,000 (June 30, 2020 - $3,000) payable to a corporation with common directors and/or officers. As at June 30, 2021, $30,000 (March 31, 2021 - $24,000) remained payable to this related party with respect to office rent.

During the three months ended June 30, 2021, the Company incurred administrative services costs payable to a company controlled by an officer in the amount of $7,500 (June 30, 2020 - $7,500). As at June 30, 2021, $72,500 (March 31, 2021 - $65,000) remained payable to this related party with respect to administrative services.

All related party balances payable as at June 30, 2021 and March 31, 2021 are included in accounts payable and accrued liabilities. The balances are unsecured, non-interest bearing and have no fixed terms of repayment.

19. Compensation of Key Management Personnel

The remuneration of directors and other key management personnel (i) during the three months ended June 30 31, 2021 and 2020 was as follows:

	Three months ended June 30, 2021	Three months ended June 30, 2020
Short-term compensation (ii)	$ 82,063	$ 74,374
Share based compensation (iii)	71,200	-
	$ 153,263	$ 74,374

(i) In accordance with IAS 24, 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.
(ii) Short-term compensation includes cash based salaries, bonuses and allowances, employment benefits and directors' fees.
(iii) Share based compensation includes DSU and RSU compensation recognized during the period.

As at June 30, 2021, $258,190 (March 31, 2021 - $264,375) of short-term compensation remained payable to key management personnel. Of the balance of short-term compensation outstanding at June 30, 2021, $231,250 (March 31, 2021 - $231,250) is deferred executive compensation from the years ended March 31, 2016 and 2017, which is unsecured, non-interest bearing and due on or after July 1, 2022. The remaining balance is unsecured, non-interest bearing and due on demand. All such accrued compensation is included in accrued liabilities.

20. 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 June 30, 2021, the Company's financial instruments that are carried at fair value, consisting of cash equivalents, have been classified as Level 2 within the fair value hierarchy.

20. Financial Instruments (continued)

Fair value

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

Financial risk management

This section provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk and how the Company manages those risks. The Company's objectives and management of risks have not changed significantly during the three months ended June 30, 2021.

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 cash equivalents, 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 and cash equivalents with reputable financial institutions. At June 30, 2021, the Company's cash and cash equivalents and restricted cash were held in deposits and in an investment grade short term money market fund at a major Canadian bank. The carrying amount of financial assets represents the Company's maximum credit exposure.

ii) Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they come due. As at June 30, 2021, the Company had a working capital deficit of $342,862 (March 31, 2021 - working capital deficit of $132,087). Notwithstanding its working capital deficit, the Company believes it will be able to settle its current obligations from the proceeds of sale of surplus assets and the release of restricted cash. Refer to Note 1.

iii) Foreign currency risk

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

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

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

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

20. Financial Instruments (continued)

Financial risk management (continued)

iv) Interest rate risk

Included in net loss for the three months ended June 30, 2021 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the three months ended June 30, 2021 had been 100 basis points higher (lower) then net loss would have been approximately $1,000 lower (higher). The Company does not have any variable rate debt obligations which expose it to interest rate risk.

v) Commodity price risk

The future profitability of the Company is directly related to the market price of iron ore. Fluctuations in the iron ore price could create volatility in the Company's future cash flows and the future reported amounts for sales in its consolidated statement of operations and comprehensive loss, both on a period-to-period basis and compared with operating budgets and forecasts. In addition, a drop in actual iron ore prices or expected long-term iron ore prices could impact the Company's ability to raise additional financing, if required, to complete the development of its properties, and development could also be halted if iron ore prices fall below expected operating costs. The Company had no sales of iron ore during the three months ended June 30, 2021 or 2020.