Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

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

	December 31, 2019	March 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 45,067	$ 76,216
Accounts receivable and prepaid expenses (Note 5)	139,705	61,223
Assets held for sale (Note 6)	502,010	502,010
	686,782	639,449
Non-current assets		
Restricted cash (Note 7)	1,399,939	1,900,669
Prepaid expenses	20,683	20,683
Mineral property interests (Note 8)	1	1
Property, plant and equipment (Note 9)	1	1
	1,420,624	1,921,354
Total assets	$ 2,107,406	$ 2,560,803
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 10 and 18)	$ 998,949	$ 508,332
Advance from director (Note 10)	400,000	-
Other liabilities (Note 10)	21,548	21,548
	1,420,497	529,880
Non-current liabilities		
Rehabilitation provision (Note 11)	1,639,689	2,134,011
	1,639,689	2,134,011
Total liabilities	3,060,186	2,663,891
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	395,687,172	395,687,172
Deficit	(396,515,059)	(395,790,967)
Non-controlling interest (Note 12)	(124,893)	707
Total shareholders' equity	(952,780)	(103,088)
Total liabilities and shareholders' equity	$ 2,107,406	$ 2,560,803

Going concern (Note 1)
Commitments and contingencies (Note 16)

The financial statements were approved by the Board of Directors on February 25, 2020 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) Income

(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	December 31, 2019 $	**December 31, 2018 $**	**December 31, 2019 $**	**December 31, 2018 $**
Operating expenses				
Site activities	(163,547)	(25,529)	(467,954)	(330,307)
Depreciation (Note 9)	-	-	-	(15,136)
Loss before the undernoted	(163,547)	(25,529)	(467,954)	(345,443)
Corporate and administrative costs	(109,594)	(134,367)	(438,927)	(514,423)
Accretion (Note 11)	(4,059)	(9,230)	(17,665)	(27,542)
Gain on sale of property and equipment (Note 19)	-	-	-	454,702
Impairment reversal (Note 20)	50,000	-	50,000	11,116
Rehabilitation provision recovery (Note 11)	-	288,025	-	288,025
Interest earned	6,984	5,249	24,854	16,397
	(56,669)	149,677	(381,738)	228,275
Comprehensive (loss) income for the period	(220,216)	124,148	(849,692)	(117,168)
Comprehensive (loss) income attributable to:				
Shareholders of Labrador Iron Mines Holdings Limited	(200,049)	12,986	(724,092)	(246,758)
Non-controlling interest (Note 12)	(20,167)	111,162	(125,600)	129,590
	(220,216)	124,148	(849,692)	(117,168)
Net (loss) income per share				
Basic and diluted	(0.00)	0.00	(0.01)	(0.00)
Weighted average number of shares outstanding				
Basic and diluted	162,364,427	162,364,427	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
(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	December 31, 2019 $	**December 31, 2018 $**	**December 31, 2019 $**	**December 31, 2018 $**
Cash (used in) operating activities				
Net (loss) income for the period	(220,217)	124,148	(849,693)	(117,168)
Items not involving cash:				
Depreciation (Note 9)	-	-	-	15,136
Accretion (Note 11)	4,059	9,230	17,665	27,542
Interest receivable	(6,401)	(4,414)	(11,257)	5,701
Gain on sale of property and equipment (Note 19)	-	-	-	(454,702)
Impairment reversals (Note 20)	(50,000)	-	(50,000)	(11,116)
Rehabilitation provision recovery (Note 11)	-	(288,025)	-	(288,025)
Changes in working capital	72,849	(293,852)	412,136	(292,524)
Cash (used in) operating activities	(199,710)	(452,913)	(481,149)	(1,115,156)
Cash (used in) provided by investing activities				
Proceeds from sale of property and equipment (Note 19)	50,000	250,000	50,000	543,000
Performance of site rehabilitation (Note 11)	(511,987)	-	(511,987)	-
Release of restricted cash (Note 7)	511,987	147,600	511,987	300,120
Cash (used in) provided by investing activities	50,000	397,600	50,000	843,120
Cash provided by financing activities				
Advance from director (Note 10)	150,000	-	400,000	-
Cash provided by financing activities	150,000	-	400,000	-
Changes in cash and cash equivalents	290	(55,313)	(31,149)	(272,036)
Cash and cash equivalents, beginning	44,777	128,285	76,216	345,008
Cash and cash equivalents, end	45,067	72,972	45,067	72,972
Cash and cash equivalents consist of:				
Cash	44,840	72,145	44,840	72,145
Cash equivalents	227	827	227	827
	45,067	72,972	45,067	72,972

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
(Expressed in Canadian dollars)

	Share Capital		Deficit	Non-Controlling Interest	Shareholders' Equity
	Number	Amount	Amount	Amount	Total
Balance, March 31, 2018	162,364,427	$ 395,687,172	$ (395,240,875)	$ 8,887	$ 455,184
Net (loss) income for the period	-	-	(246,758)	129,590	(117,168)
Balance, December 31, 2018	162,364,427	$ 395,687,172	(395,487,633)	138,477	338,016
Net (loss) for the period	-	-	(303,334)	(137,770)	(441,104)
Balance, March 31, 2019	162,364,427	$ 395,687,172	(395,790,967)	707	(103,088)
Net (loss) for the period	-	-	(724,092)	(125,600)	(849,692)
Balance, December 31, 2019	162,364,427	$ 395,687,172	$ (396,515,059)	$ (124,893)	$ (952,780)

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 condensed interim 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 51% 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 49% 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 mineral property interests are iron ore projects in western Labrador and northeastern Quebec, near the town of Schefferville, Quebec (collectively, the "Schefferville Projects"). Among the Schefferville Projects, the Houston Project, consisting of the Houston and Malcolm properties, is the Company's principal project.

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

The Company did not conduct mining operations, other than exploration and rehabilitation activities, during the three and nine months ended December 31, 2019 and 2018. The Company is currently focused on maintaining its properties in good standing, including the performance of required exploration and rehabilitation activities, as well as seeking development financing to resume mining operations when market conditions improve sufficiently. Should the Company be successful in securing working capital and development financing, the Company intends to commence development of its Houston Project.

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurance that exploration, development and mining will result in profitable mining operations. The 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 non-core interests on an advantageous basis. Changes in future conditions could require material impairment of the carrying values of the Company's assets.

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

Going Concern

As at December 31, 2019, the Company had a working capital deficit of $733,715. 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 and nine months ended December 31, 2019 have been prepared on a going concern basis, using the historical cost convention.

1. Nature of Operations and Going Concern (continued)

Going Concern (continued)

There are no assurances that the Company will be successful in generating sufficient proceeds from the sale of surplus assets or 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 cast 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.

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

2. Basis of Preparation

These 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, 2019.

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 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 condensed interim 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 required management to make significant judgments, estimates and assumptions for the three and nine months ended December 31, 2019 and 2018 are consistent with those set out in Note 3 to the Company's consolidated financial statements for the years ended March 31, 2019 and 2018.

Going concern
Refer to Note 1.

Contingencies
Refer to Note 16.

(Expressed in Canadian dollars)

4. Significant Accounting Policies

The condensed interim consolidated financial statements for the three and nine months ended December 31, 2019 and 2018 should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2019 and 2018, 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 years ended March 31, 2019 and 2018.

5. Accounts Receivable

	December 31, 2019	March 31, 2019
Trade receivables	$ 38,679	$ 38,679
Refundable taxes	99,429	22,544
Prepaid expenses	1,597	-
	$ 139,705	$ 61,223

6. Assets Held for Sale

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

During the nine months ended December 31, 2019 the Company's mine camp equipment was transferred into assets held for sale prior to their sale which occurred during the same period.

As at December 31, 2018, March 31, 2019 and December 31, 2019 assets held for sale consisted of an industrial building located in Sept-Iles, Quebec, which is expected to be sold within one year of the reporting date.

	Nine months ended December 31, 2019	Year ended March 31, 2019
Opening balance	$ 502,010	$ 475,618
Additions:		
Building (Note 9)	-	114,690
Mine camp equipment (Note 9)	50,000	
Disposals:		
Mine camp equipment (Note 19)	(50,000)	(88,298)
	$ 502,010	$ 502,010

7. Restricted Cash

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

	December 31, 2019	March 31, 2019
Restricted cash	$ 1,399,939	$ 1,900,669

(Expressed in Canadian dollars)

8. Mineral Property Interests

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

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, with such royalty being payable quarterly in arrears.

The Houston Property is subject to an additional royalty of 2% of the sales proceeds (FOB Port of Sept-Iles) received from sales of iron ore, with such royalty being payable quarterly in arrears.

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

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

The fully impaired carrying value of the Company's mineral property interests was assessed as at December 31, 2019. As the spot price of iron ore (62% Fe FOB China) was in the USD$80-$95 per tonne range during the period end assessment period, the full impairment of the Company's mineral property interests was maintained pending a sustained improvement in market conditions.

The Company's mineral property assets are as follows:

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

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

(Expressed in Canadian dollars)

9. Property, Plant and Equipment

Cost at:	Buildings and mine camp $	Office equipment $	Transportation infrastructure and equipment $	Beneficiation plant and equipment $	Total $
March 31, 2018	237,651	1	3,071,243	1	3,308,896
Impairment	-	(1)	-	-	(1)
Transfer to assets held for sale (Note 6)	(237,651)	-	-	-	(237,651)
March 31, 2019	-	-	3,071,243	1	3,071,244
Impairment reversal	50,000	-	-	-	50,000
Transfer to assets held for sale (Note 6)	(50,000)	-	-	-	(50,000)
December 31, 2019	-	-	3,071,243	1	3,071,244
Accumulated Depreciation at:					
March 31, 2018	(107,825)	-	(3,071,243)	-	(3,179,068)
Depreciation	(15,136)	-	-	-	(15,136)
Transfer to assets held for sale (Note 6)	122,961	-	-	-	122,961
March 31, 2019 and December 31, 2019	-	-	(3,071,243)	-	(3,071,243)
Net Book Value at:					
March 31, 2019 and December 31, 2019	-	-	-	1	1

During the year ended March 31, 2019, certain surplus property and equipment were reclassified as assets held for sale prior to being sold for cash proceeds during the year.

During the nine months ended December 31, 2019, the Company recorded an impairment reversal of $50,000 related to the carrying value of mine camp equipment in connection with a sale of the equipment in the same period. The carrying value of such mine camp equipment had previously been fully impaired. Following the impairment reversal, the mine camp equipment was transferred to assets held for sale prior to being sold for net cash proceeds of $50,000 in October 2019.

10. Current Liabilities

	December 31, 2019	March 31, 2019
Trade payables and accrued liabilities	$ 869,372	$ 417,331
Sales taxes and statutory liabilities	129,577	91,001
Accounts payables and accrued liabilities	998,949	508,332
Advance from director	400,000	-
Other liabilities	21,548	21,548
Current liabilities	$ 1,420,497	$ 529,880

As at December 31, 2019, $483,178 (March 31, 2019 - $278,952) of accumulated short term compensation payable to key management personnel is included in accrued liabilities. Refer to Note 18.

During the nine months ended December 31, 2019, a director advanced $400,000 to the Company on a non-interest bearing basis pending the sale of an asset held for sale. Refer to Notes 6 and 17.

(Expressed in Canadian dollars)

10. Current Liabilities (continued)

Other liabilities consist of obligations under the Company's Deferred Share Unit ("DSU") Plan. DSUs may be granted by the Board at the end of each quarter to certain directors and key senior employees. On redemption each DSU entitles the grantee 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. The termination date is when the participant ceases to be a director or key senior employee of the Company.

Granting of additional DSUs was suspended effective March 31, 2014. As at December 31, 2019, there were 1,077,362 (2018 - 1,077,362) DSUs outstanding with an attributed value of $21,548 (2018 - $21,548).

11. Rehabilitation Provision

Rehabilitation provision represents the regulatory reclamation obligation associated with the eventual rehabilitation and closure of the Company's mining operations either progressively or at the end of the mine life.

At December 31, 2019, the total undiscounted amount of the Company's rehabilitation provision is $1,342,425 and is expected to be incurred between calendar 2020 and 2021. The rehabilitation provision is recognized as $1,639,689 at December 31, 2019 using a discount rate of 1.55% and an inflation rate of 2.1%.

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

	Nine months ended December 31, 2019	Nine months ended December 31, 2018
Balance, beginning of period	$ 2,134,011	$ 2,253,100
Rehabilitation provision reduction	(511,987)	(320,275)
Accretion	17,665	27,542
Balance, end of period	$ 1,639,689	$ 1,960,367

Rehabilitation activities during the nine months ended December 31, 2018 included completion of an environmental site assessment and soil characterization study as well as substantial completion of post closure monitoring activities at the Company's former James Mine site.

Rehabilitation activities during the nine months ended December 31, 2019 included substantial completion of physical reclamation of the Silver Yards processing facility including removal of the Company's processing plant and associated service buildings.

12. Non-Controlling Interest

Non-controlling interest represents the 49% equity share of LIMH's subsidiary LIM held by minority shareholders.

On initial recognition, non-controlling interest was measured at the proportionate share of LIM equity upon initial distribution in December 2016. Subsequently, adjustments are made to the carrying amount representing the non-controlling interest's proportionate share of changes to LIM's equity.

Refer to Note 1.

	Nine months ended December 31, 2019	Year ended March 31, 2019
Beginning balance	$ 707	$ 8,887
Net loss of LIM attributable to non-controlling interest	(125,600)	(8,180)
Ending balance	$ (124,893)	$ 707

(Expressed in Canadian dollars)

13. Share Capital

Authorized
Unlimited common shares, no par value

Issued	Shares #	Amount $
Balance, March 31, 2019 and December 31, 2019 and 2018	162,364,427	395,687,172

14. Reserves

(a) Stock options

While the Company has a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or its subsidiaries, there were no options granted, issued or outstanding during the three and nine months ended December 31, 2019 and 2018.

(b) Warrants

The Company had no warrants issued or outstanding during the three and nine months ended December 31, 2019 and 2018.

15. 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 nine months ended December 31, 2019 and 2018. The Company is not subject to externally imposed capital requirements.

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

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

16. 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) One unresolved claim exists 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 is treated as a contingent liability.

(Expressed in Canadian dollars)

17. Related Party Transactions

During the nine months ended December 31, 2019, the Company incurred $27,000 (2018 - $67,500) of office rent payable to a corporation with common directors and/or officers.

During the nine months ended December 31, 2019, the Company incurred administrative costs payable to a company controlled by an officer in the amount of $22,500 (2018 - $22,500).

During the nine months ended December 31, 2019, the Company incurred legal fees in respect of services provided by a professional corporation controlled by an officer in the amount of $2,604 (2018 - $6,510).

During the nine months ended December 31, 2019, the Company received an advance of $400,000 (2018 - $Nil) from a director of the Company. Refer to Note 10.

18. Compensation of Key Management Personnel

The remuneration of directors and other key management personnel during the three and nine months ended December 31, 2019 and 2018 was as follows:

	Three months ended		Nine months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Short-term compensation (i)	$ 83,060	$ 80,181	$ 232,128	$ 247,299

(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.

As at December 31, 2019, $483,178 (December 31, 2018 - $282,233) of accumulated short-term compensation remained payable to key management personnel. Such accrued accumulated short-term compensation is included in accounts payable and accrued liabilities.

19. Sale of Assets

During the three and nine months ended December 31, 2019 the Company sold its mine camp equipment for net cash proceeds of $50,000. The carrying value of such mine camp equipment had previously been fully impaired. Immediately prior to the sale, an impairment reversal of $50,000 was recognized and the mine camp equipment was transferred from property, plant and equipment to assets held for sale, following which the sale of such assets was recognized.

During the nine months ended December 31, 2018 the Company sold various surplus equipment and certain real estate properties for cash proceeds of $543,000. Prior to such sales, such equipment and properties had been transferred from property, plant and equipment to assets held for sale.

	Three months ended		Nine months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Proceeds of sale	$ 50,000	$ -	$ 50,000	$ 543,000
Less: Carrying value	(50,000)	-	(50,000)	(88,298)
Gain on sale	$ -	$ -	$ -	$ 454,702

(Expressed in Canadian dollars)

20. Impairment Reversal

	Three months ended		Nine months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Accounts receivable and prepaid expenses				
Impairment reversal	$ -	$ -	$ -	$ 11,116
Property, plant and equipment				
Impairment reversal	50,000	$ -	50,000	-
	$ 50,000	$ -	$ 50,000	$ 11,116

The Company carried out an impairment assessment as at December 31, 2018 and recognized an impairment reversal of $11,116 with respect to the collection of previously impaired accounts receivable.

During the three months ended December 31, 2019 the Company reversed a previous impairment charge related to its mine camp equipment in the amount of $50,000, prior to the sale of such equipment which was completed during the same period for net proceeds of $50,000.

The Company also carried out impairment assessments as at December 31, 2019 in accordance with the Company's accounting policies and as required by IFRS and IAS 36. As the spot price of iron ore (62% Fe FOB China) was in the USD$80-$95 per tonne range during the period end assessment period, the full impairment of the Company's mineral property interests was maintained pending evidence of a sustained improvement in market conditions.

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

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

21. 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, 2019 and 2018, 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 and accounts payable and accrued liabilities on the consolidated statement of financial position approximate fair value because of the limited term of the instruments.

21. Financial Instruments (continued)

Financial risk management

This section provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk and how the Company manages those risks. The Company's objectives and management of risks have not changed significantly during the nine months ended December 31, 2019 and 2018.

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 December 31, 2019, 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 December 31, 2019, the Company had a working capital deficit of $733,715. 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.

iv) *Interest rate risk*

Included in the loss for the nine months ended December 31, 2019 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the nine months ended December 31, 2019 had been 100 basis points higher (lower) then the loss would have been approximately $350 lower (higher). The Company does not have any variable rate debt obligations which expose it to interest rate risk.

21. Financial Instruments (continued)

Financial risk management (continued)

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 and nine months ended December 31, 2019 and 2018.