



Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Consolidated Financial Statements

For the Years Ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

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Independent Auditor's Report

To the Shareholders of Labrador Iron Mines Holdings Limited

Opinion

We have audited the consolidated financial statements of Labrador Iron Mines Holdings Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2023 and 2022, and the consolidated statements of operations and comprehensive (loss), consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended March 31, 2023 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
June 27, 2023

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

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,149	\$ 309,205
Accounts receivable and prepaid expenses (Note 5)	12,851	23,882
Total current assets	<u>19,000</u>	<u>333,087</u>
Non-current assets		
Restricted cash (Note 6)	28,966	28,703
Prepaid expenses	143,772	102,708
Exploration and evaluation assets (Note 7)	26,566,035	26,497,972
Property, plant and equipment (Note 8)	1	1
Office lease (Note 11)	75,105	-
Total non-current assets	<u>26,813,879</u>	<u>26,629,384</u>
Total assets	<u>\$ 26,832,879</u>	<u>\$ 26,962,471</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9, 19 and 20)	\$ 994,455	\$ 638,453
Advance from director (Note 19)	100,000	-
Current portion of lease obligation (Note 11)	41,338	-
Total current liabilities	<u>1,135,793</u>	<u>638,453</u>
Non-current liabilities		
Accrued liabilities (Note 20)	231,250	231,250
CEBA loan (Note 12)	40,000	40,000
Lease obligation (Note 11)	36,456	-
Total non-current liabilities	<u>307,706</u>	<u>271,250</u>
Total liabilities	<u>1,443,499</u>	<u>909,703</u>
SHAREHOLDERS' EQUITY		
Share capital (Notes 14 and 23)	395,687,172	395,687,172
Reserves (Note 15)	1,132,363	1,028,641
Deficit	(383,557,397)	(382,919,850)
Non-controlling interest (Note 13)	12,127,242	12,256,805
Total shareholders' equity	<u>25,389,380</u>	<u>26,052,768</u>
Total liabilities and shareholders' equity	<u>\$ 26,832,879</u>	<u>\$ 26,962,471</u>

Going concern (Note 1)
Commitments and contingencies (Note 18)
Subsequent event (Note 24)

The financial statements were approved by the Board of Directors on June 27, 2023 and signed on its behalf by:

Signed "John F. Kearney"

Director

Signed "Danesh Varma"

Director

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

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

	Year ended March 31, 2023	Year ended March 31, 2022
Operating expenses		
Site costs	\$ (99,659)	\$ (320,149)
(Loss) before the undernoted	(99,659)	(320,149)
Corporate and administrative costs	(510,204)	(482,738)
Share based compensation (Note 16)	(103,722)	(329,150)
Accretion (Note 10)	-	(1,223)
Interest earned	1,664	2,539
Rehabilitation provision recovery (Note 10)	-	1,032,567
Lease depreciation (Note 11)	(47,795)	-
Lease deemed interest (Note 11)	(7,394)	-
	<u>(667,451)</u>	<u>221,995</u>
Net (loss) before income taxes	(767,110)	(98,154)
Deferred income tax (Note 22 (a))	-	-
Net (loss) and comprehensive (loss) for the year	<u>\$ (767,110)</u>	<u>\$ (98,154)</u>
Net comprehensive (loss) attributable to:		
Shareholders of Labrador Iron Mines Holdings Limited	(637,547)	(310,850)
Non-controlling interest (Note 13)	(129,563)	212,696
	<u>\$ (767,110)</u>	<u>\$ (98,154)</u>
Net (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 consolidated financial statements.

LABRADOR IRON MINES HOLDINGS LIMITED
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash (used in) operating activities		
Net (loss) for the year	\$ (767,110)	\$ (98,154)
Items not involving cash		
Accretion (Note 10)	-	1,223
Accrued interest	(263)	(1,519)
Rehabilitation provision recovery (Note 10)	-	(1,032,567)
Share based compensation (Note 16)	103,722	329,150
Lease depreciation (Note 11)	47,795	-
Lease deemed interest expense (Note 11)	7,394	-
Changes in working capital	325,969	(257,855)
Cash (used in) operating activities	<u>(282,493)</u>	<u>(1,059,722)</u>
Cash (used in) provided by investing activities		
Proceeds from the assignment of rights	-	250,000
Investment in exploration and evaluation assets (Note 7)	(68,063)	(97,655)
Performance of site rehabilitation (Note 10)	-	(113,723)
Release of restricted cash (Notes 6 and 10)	-	1,002,249
Cash (used in) provided by investing activities	<u>(68,063)</u>	<u>1,040,871</u>
Cash provided by financing activities		
Advance from director (Note 19)	100,000	-
Lease payments (Note 11)	(52,500)	-
Cash provided by financing activities	<u>47,500</u>	<u>-</u>
Change in cash and cash equivalents	(303,056)	(18,851)
Cash and cash equivalents, beginning of year	309,205	328,056
Cash and cash equivalents, end of year	<u>\$ 6,149</u>	<u>\$ 309,205</u>
Cash and cash equivalents consist of:		
Cash	\$ 5,972	\$ 309,003
Cash equivalents	177	202
	<u>\$ 6,149</u>	<u>\$ 309,205</u>
Supplemental cash flow information:		
Acquisition of right-of-use asset (Note 11)	\$ 122,900	\$ -

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

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

	Share Capital		Reserves	Deficit	Non-Controlling Interest	Shareholders' Equity
	Number	Amount	Amount	Amount	Amount	Total Amount
Balance, March 31, 2021	162,364,427	\$ 395,687,172	\$ 699,491	\$ (382,609,000)	\$ 12,044,109	\$ 25,821,772
Vesting of RSUs (Note 16)	-	-	329,150	-	-	329,150
Loss for the year	-	-	-	(310,850)	212,696	(98,154)
Balance, March 31, 2022	162,364,427	395,687,172	1,028,641	(382,919,850)	12,256,805	26,052,768
Vesting of RSUs (Note 16)	-	-	103,722	-	-	103,722
Loss for the year	-	-	-	(637,547)	(129,563)	(767,110)
Balance, March 31, 2023	162,364,427	\$ 395,687,172	\$ 1,132,363	\$ (383,557,397)	\$ 12,127,242	\$ 25,389,380

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

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2023 and 2022
(Expressed in Canadian dollars)

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% (2022 - 52%) of the common shares of LIM and LIM owns 100% of the common shares of SMI. Refer to Note 23.

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

Non-controlling interest represents the 48% (2022 - 48%) equity interest in LIM not owned by LIMH. Refer to Note 13.

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 registered head office is 55 University Avenue, Suite 1805, Toronto, Ontario, M5J 2H7, Canada.

The Company did not conduct mining operations during the years ended March 31, 2022 and 2023. The Company is currently focused on development of its Houston Project and maintaining its other mineral claims and mining concessions. Subject to securing construction financing, the Company plans to commence construction of its Houston Project. There can be no assurance that construction will be commenced or completed.

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 March 31, 2023, the Company had a working capital deficit of \$1,116,793, compared to a working capital deficit of \$305,366 at March 31, 2022. Notwithstanding its working capital deficit, the Company believes it will have sufficient resources to continue its operations over the next 12 months, subject to generating sufficient proceeds from an equity offering or alternative financing, although there can be no assurance the Company will be able to complete a financing on acceptable terms or at all. Accordingly, the consolidated financial statements for the year ended March 31, 2023 have been prepared on a going concern basis, using the historical cost convention.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2023 and 2022
(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern (continued)

There are no assurances that the Company will be successful in generating sufficient proceeds from an equity financing or alternative financing. 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 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. Development of the Houston Project may not result in profitable commercial production.

2. Basis of Preparation

These consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The accounting policies set out below were consistently applied to all the periods presented unless otherwise noted.

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention and using the accrual basis of accounting, except for cash flow information. Refer to Notes 1 and 4.

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, 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 judgements, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Mineral resource estimates

The figures for mineral resources are reported in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements 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 operations.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2023 and 2022
(Expressed in Canadian dollars)

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

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.

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

Income, value added, withholding and other taxes

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

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2023 and 2022
(Expressed in Canadian dollars)

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

Share-based payments

Share based payments may include options, warrants, restricted share units or deferred share units. Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based awards are determined at the date of grant using generally accepted valuation techniques, including market trading price as a reference for valuing restricted share units and deferred share units, and the Black-Scholes model for valuing options and warrants. Assumptions are made and judgement is used in applying valuation techniques. These assumptions and judgements include, in the case of the Black-Scholes model, 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 judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

The share-based payments recognized in the years ended March 31, 2022 and 2023 relate to the vesting of restricted share units. Refer to Notes 15 and 16. There were no options or warrants granted, vested or outstanding in the years ended March 31, 2022 and 2023.

Asset lives and depletion and depreciation rates for property, plant and equipment and exploration and evaluation assets

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.

Going concern

Refer to Note 1.

Contingencies

Refer to Note 18.

4. Significant Accounting Policies

Basis of consolidation

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

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2023 and 2022
(Expressed in Canadian dollars)

4. Significant Accounting Policies (continued)

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.

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.

At March 31, 2022 and 2023, all of the Company's properties are categorized as exploration and evaluation assets.

Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation expenditures, mineral property interests, producing mines and property, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2023 and 2022
(Expressed in Canadian dollars)

4. Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. If this is the case, the individual assets of the Company are grouped together into CGUs for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets of the Company. This generally results in the Company evaluating its non-financial assets on a geographical and operational basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of operations and comprehensive loss so as to reduce the carrying amount to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of operations and comprehensive loss.

Financial assets and financial liabilities

Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement – financial assets at amortized cost

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

Subsequent measurement – financial assets at FVPL

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

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4. Significant Accounting Policies (continued)

Financial assets (continued)

Subsequent measurement – financial assets at FVOCI

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

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

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

Derecognition

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

Impairment of financial assets

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

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement – financial liabilities at amortized cost

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

Derecognition

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

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4. Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on deposit at a major Canadian bank and holdings in an investment grade short term money market fund.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Provisions

General

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

Rehabilitation provisions

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

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

Onerous contracts

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

Revenue Recognition

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

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4. Significant Accounting Policies (continued)

(Loss) per share

(Loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted (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 (loss) per share calculation excludes the conversion of common share equivalents that would decrease (loss) per share. There were no stock options or warrants outstanding during the years ended March 31, 2022 and 2023.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of operations and comprehensive loss except to the extent they relate to items recognized directly in equity or in other comprehensive income, in which case the related taxes are recognized in equity or other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, which may differ from earnings reported in the statement of operations and comprehensive loss due to items of income or expenses that are not currently taxable or deductible for tax purposes, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Government assistance

Upon qualification for government mineral exploration assistance programs, recoverable amounts are offset against costs incurred when the Company has complied with the terms and conditions of the program and the recovery is reasonably assured.

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as a reduction of the non-current assets in the consolidated balance sheet, and transferred to the consolidated statement of operations on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognized as a reduction of the related expenses over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in the consolidated statement of operations in the period in which they become receivable.

Leases

IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

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4. Significant Accounting Policies (continued)

Leases (continued)

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and deemed interest on the obligation. Deemed interest expense on the lease obligation is included in the consolidated statement of loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after April 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 16 – The IASB has extended the rent concessions amendment issued May 2020 by one year. This amendment provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The practical expedient was originally available only for payments due on or before June 30, 2021, however, since the effects of COVID-19 are ongoing and significant, the IASB decided to extend the time period over which the practical expedient is available for use. The amendment is effective for year ends beginning on or after April 1, 2022.

IAS 12 – In May 2021, the IASB issued ‘Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction’ that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

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5. Accounts Receivable and Prepaid Expenses

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Refundable taxes	\$ 12,851	\$ 16,382
Prepaid expenses	-	7,500
	<u>\$ 12,851</u>	<u>\$ 23,882</u>

6. Restricted Cash

At March 31, 2023 and 2022, restricted cash consisted of interest-bearing term deposits assigned by the Company to its bank as security for its credit card accounts.

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Restricted cash – Non-current	\$ 28,966	\$ 28,703

During the year ended March 31, 2022, \$1,002,249 of restricted cash assigned by the Company as security for performance of rehabilitation and closure relating to its previous mining operations was released following completion of such rehabilitation and closure.

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 including certain resource estimates and projections for other inputs including commodity prices, exchange rates and expenses.

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 US\$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.

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7. Exploration and Evaluation Assets (continued)

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

	Exploration and Evaluation Assets
Cost at:	
March 31, 2021	\$ 26,400,317
Additions	<u>97,655</u>
March 31, 2022	26,497,972
Additions	<u>68,063</u>
March 31, 2023	<u>\$ 26,566,035</u>
Accumulated depletion at:	
March 31, 2021, 2022 and 2023	<u>\$ -</u>
Net book value at:	
March 31, 2021	<u>\$ 26,400,317</u>
March 31, 2022	<u>\$ 26,497,972</u>
March 31, 2023	<u>\$ 26,566,035</u>

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

8. Property, Plant and Equipment

	Total \$
Cost at:	
March 31, 2021, 2022 and 2023	<u>1</u>
Accumulated depreciation at:	
March 31, 2021, 2022 and 2023	<u>-</u>
Net book value at:	
March 31, 2021, 2022 and 2023	<u>1</u>

All of the Company's previous property, plant and equipment was disposed of prior to March 31, 2020.

9. Accounts Payable and Accrued Liabilities

	March 31, 2023	March 31, 2022
Trade payables and accruals	\$ 946,326	\$ 623,705
Sales taxes and statutory liabilities	<u>48,129</u>	<u>14,748</u>
	<u>\$ 994,455</u>	<u>\$ 638,453</u>

Refer to Note 19.

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10. Rehabilitation Provision

Rehabilitation provision represents the financial obligation associated with rehabilitation and closure of the Company's previous mining operations. Such obligation consisted of costs associated with reclamation and the removal of tangible assets from the Company's previous mine site.

The Company satisfied or transferred to a third party all remaining rehabilitation and closure obligations during the year ended March 31, 2022, which fully extinguished the related rehabilitation provision during that year.

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

	Year ended March 31, 2023	Year ended March 31, 2022
Balance, beginning of year	\$ -	\$ 1,145,067
Accretion	-	1,223
Recovery	-	(1,032,567)
Reduction	-	(113,723)
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

11. Office Lease

On February 1, 2022, the Company entered into an office services agreement granting the right to use the Company's head office premises, which right expires on January 30, 2025.

During the year ended March 31, 2023, in accordance with IFRS 16, the Company recorded a right-of-use lease asset, recognizing the Company's use for the term of the agreement in the amount of \$122,900 and a corresponding lease liability in the amount of \$122,900. The Company also recognized non-cash depreciation expense of \$47,794 and deemed non-cash interest expense of \$7,394 during the year.

Right-of-use asset

	Year ended March 31, 2023	Year ended March 31, 2022
Lease asset recognized	\$ 122,900	\$ -
Accumulated depreciation	(47,795)	-
Net book value – ending	<u>\$ 75,105</u>	<u>\$ -</u>

Lease obligation

	Year ended March 31, 2023	Year ended March 31, 2022
Lease obligation recognized	\$ 122,900	\$ -
Lease payments	(52,500)	-
Deemed interest expense	7,394	-
Net lease obligation – ending	<u>\$ 77,794</u>	<u>\$ -</u>

	March 31, 2023	March 31, 2022
Current lease obligation	\$ 41,338	\$ -
Non-current lease obligation – within one and two years	36,456	-
Net lease obligation – ending	<u>\$ 77,794</u>	<u>\$ -</u>

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12. 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, as revised, December 31, 2023. 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.

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
CEBA loan	<u>\$ 40,000</u>	<u>\$ 40,000</u>

During the year ended March 31, 2023, the Company received \$Nil (2022 - \$79,408) in wage subsidy from the Government of Canada under the Canada Emergency Wage Subsidy program, which was credited against corporate and administrative costs.

13. Non-Controlling Interest

Non-controlling interest (“NCI”) represents the 48% (2022 - 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.

	<u>Year ended March 31, 2023</u>	<u>Year ended March 31, 2022</u>
Beginning balance	\$ 12,256,805	\$ 12,044,109
Net (loss) income of LIM attributable to non-controlling interest	<u>(129,563)</u>	<u>212,696</u>
Ending balance	<u>\$ 12,127,242</u>	<u>\$ 12,256,805</u>

14. Share Capital

Authorized

Unlimited common shares, no par value

Issued

Balance, March 31, 2021, 2022 and 2023

	<u>Shares #</u>	<u>Amount \$</u>
	<u>162,364,427</u>	<u>395,687,172</u>

Refer to Note 23.

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15. Reserves

(a) Deferred Share Units

On April 1, 2012, the Company adopted a DSU Plan under which DSUs may be granted by the Board 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, at the Company's option, after deduction of any applicable taxes and other required source deductions: (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.

During the years ended March 31, 2022 and 2023, DSUs are presented as Reserves within equity.

A summary of DSUs in Reserves is presented below:

	DSUs in Reserves	
	Number	Reserves
Balance, March 31, 2021, 2022 and 2023	1,077,362	\$ 383,541

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

(c) Reserves

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

	Year ended March 31, 2023	Year ended March 31, 2022
Balance, beginning of year	\$ 1,028,641	\$ 699,491
Vesting of 587,500 RSUs granted March 31, 2021	-	209,150
Vesting of 100,674 RSUs granted June 30, 2021	-	30,000
Vesting of 202,704 RSUs granted September 30, 2021	-	30,000
Vesting of 256,410 RSUs granted December 31, 2021	-	30,000
Vesting of 209,790 RSUs granted March 31, 2022	-	30,000
Vesting of 35,791 RSUs granted June 30, 2022	3,722	-
Vesting of 240,385 RSUs granted June 30, 2022	25,000	-
Vesting of 198,415 RSUs granted September 30, 2022	25,000	-
Vesting of 233,645 RSUs granted December 31, 2022	25,000	-
Vesting of 225,225 RSUs granted March 31, 2023	25,000	-
Balance, end of year	\$ 1,132,363	\$ 1,028,641

The amount recognized in Reserves within equity for RSUs vested during the period equals the market value on the grant date of the corresponding number of common shares.

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 vested on March 31, 2022, were fully recognized in Reserves during the year ended March 31, 2022 based on their grant date market value of common shares of the Company.

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15. Reserves (continued)

(c) Reserves (continued)

100,674 RSUs granted on June 30, 2021, which vested on March 31, 2022, were fully recognized in Reserves during the year ended March 31, 2022 based on their grant date market value of common shares of the Company, which was \$0.298.

202,704 RSUs granted on September 30, 2021, which vested on March 31, 2022, were fully recognized in Reserves during the year ended March 31, 2022 based on their grant date market value of common shares of the Company, which was \$0.148.

256,410 RSUs granted on December 31, 2021, which vested on March 31, 2022, were fully recognized in Reserves during the year ended March 31, 2022 based on the market value of common shares of the Company on their grant date, which was \$0.117.

209,790 RSUs granted on March 31, 2022, which vested immediately, were fully recognized in Reserves during the year ended March 31, 2022 based on the market value of common shares of the Company on their grant date, which was \$0.143.

35,791 RSUs granted on June 30, 2022, which vested immediately, were fully recognized in Reserves on their grant date, based on the market value of common shares of the Company on their grant date, which was \$0.104.

240,385 RSUs granted on June 30, 2022, which vested on March 31, 2023, were fully recognized in Reserves during the year ended March 31, 2023, based on the market value of common shares of the Company on their grant date, which was \$0.104.

198,415 RSUs granted on September 30, 2022, which vested on March 31, 2023, were fully recognized in Reserves during the year ended March 31, 2023, based on the market value of common shares of the Company on their grant date, which was \$0.126.

233,645 RSUs granted on December 31, 2022, which vested on March 31, 2023, were fully recognized in Reserves during the year ended March 31, 2023, based on the market value of common shares of the Company on their grant date, which was \$0.107.

225,225 RSUs granted on March 31, 2023, which vested immediately, were fully recognized in Reserves during the year ended March 31, 2023, based on the market value of common shares of the Company on their grant date, which was \$0.111.

16. Share Based Compensation

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

	Year ended March 31, 2023	Year ended March 31, 2022
Vesting of 587,500 RSUs granted March 31, 2021	\$ -	\$ 209,150
Vesting of 100,674 RSUs granted June 30, 2021	-	30,000
Vesting of 202,704 RSUs granted September 30, 2021	-	30,000
Vesting of 256,410 RSUs granted December 31, 2021	-	30,000
Vesting of 209,790 RSUs granted March 31, 2022	-	30,000
Vesting of 35,791 RSUs granted June 30, 2022	3,722	-
Vesting of 240,385 RSUs granted June 30, 2022	25,000	-
Vesting of 198,415 RSUs granted September 30, 2022	25,000	-
Vesting of 233,645 RSUs granted December 31, 2022	25,000	-
Vesting of 225,225 RSUs granted March 31, 2023	25,000	-
	<u>\$ 103,722</u>	<u>\$ 329,150</u>

Refer to Note 15(c).

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16. Share Based Compensation (continued)

There were no stock options granted, issued or outstanding during the years ended March 31, 2022 and 2023.

17. Capital Management

The capital of the Company consists of share capital and reserves. There were no significant changes to the Company's approach to capital management during the years ended March 31, 2022 and 2023. 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, issued or outstanding during the years ended March 31, 2022 or 2023.

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

18. 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.

19. Related Party Transactions

During the year ended March 31, 2023, the Company incurred office rent of \$45,000 (2022 - \$27,000) payable to a corporation with common directors and/or officers. As at March 31, 2023, \$30,000 (2022 - \$NIL) was payable to this related party with respect to office rent. Refer to Note 11.

During the year ended March 31, 2023, the Company incurred administrative services costs payable to a company controlled by an officer in the amount of \$30,000 (2022 - \$30,000). As at March 31, 2023, \$125,000 (2022 - \$95,000) remained payable to this related party with respect to administrative services.

During the year ended March 31, 2023, a director advanced \$100,000 to the Company on a non-interest bearing basis for working capital purposes, the full balance of which remained outstanding at March 31, 2023. Refer to Note 24.

All related party balances payable as at March 31, 2022 are included in accounts payable and accrued liabilities. The balances are unsecured, non-interest bearing and have no fixed terms of repayment.

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20. Compensation of Key Management Personnel

The remuneration of directors and other key management personnel (i) during the years ended March 31, 2023 and 2022 was as follows:

	Year ended March 31, 2023	Year ended March 31, 2022
Short-term compensation (ii)	\$ 306,792	\$ 313,986
Share based compensation (iii)	103,722	262,400
	<u>\$ 410,514</u>	<u>\$ 576,386</u>

- (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 consists of RSU compensation recognized during the period.

As at March 31, 2023, \$460,512 (2022 - \$276,214) of short-term compensation remained payable to key management personnel. Of the balance of short-term compensation outstanding at March 31, 2023, \$231,250 (2022 - \$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 April 1, 2024. The remaining balance is unsecured, non-interest bearing and due on demand. All such accrued compensation is included in accrued liabilities.

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 March 31, 2022 and 2023, 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.

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 judgement 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 years ended March 31, 2022 and 2023.

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21. Financial Instruments (continued)

Financial risk management (continued)

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 March 31, 2022 and 2023, 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 March 31, 2023, the Company had a working capital deficit of \$1,116,793 (2022 - working capital deficit of \$305,366). The Company believes it will be able to settle its current obligations from the proceeds of sale of an equity financing or alternative financing. 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 net loss for the year ended March 31, 2023 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the year ended March 31, 2023 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 that expose it to interest rate risk.

v) *Commodity price risk*

The future profitability of the Company is directly related to the market price of iron ore. Fluctuations in the iron ore price could create volatility in the Company's future cash flows and the future reported amounts for sales in its consolidated statement of operations and comprehensive loss, both on a period-to-period basis and compared with operating budgets and forecasts. In addition, a drop in actual iron ore prices or expected long-term iron ore prices could impact the Company's ability to raise additional financing, if required, to complete the development of its properties, and development could also be halted if iron ore prices fall below expected operating costs. The Company had no sales of iron ore during the years ended March 31, 2022 and 2023.

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22. Income Taxes

Major items causing the Company's effective income tax rates to differ from the approximate combined Canadian federal and provincial statutory rate of 27% (2022 - 27%) were as follows:

a) Provision for Income Taxes

	Year ended March 31, 2023	Year ended March 31, 2022
	\$	\$
(Loss) income before income taxes	(767,110)	(98,154)
Expected income tax recovery based on statutory rate	(209,000)	(27,000)
Adjustment to expected income tax benefit due to:		
Share based compensation	(28,000)	(90,000)
Change in benefit of tax assets not recognized	237,000	117,000
Deferred income tax provision	-	-

b) Deferred Income Tax Balances

Unrecognized Deferred Tax Assets

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

	March 31, 2023	March 31, 2022
	\$	\$
Non-capital loss carry-forwards	282,286,000	278,742,000
Capital losses	659,000	659,000
Exploration and evaluation assets	9,792,000	9,792,000
Property, plant and equipment	9,206,000	9,171,000

The non-capital loss-carry-forwards of approximately \$282,286,000 expire from 2028 to 2043. The other temporary differences do not expire under current legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

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23. Acquisition of Minority Interest in Subsidiary

At a Special Meeting of Shareholders of the Company's 52% subsidiary LIM held on March 30, 2023, a requisite two-thirds majority of votes cast by LIM shareholders at the meeting approved a special resolution authorizing the amalgamation of LIM with a wholly owned subsidiary of the Company, involving the issue of shares of the Company to LIM shareholders, such that LIM will, once again, become a wholly owned subsidiary of the Company (the "Transaction").

The Transaction is to be effected by way of a statutory amalgamation of LIM with a wholly owned subsidiary of the Company, under Section 174 of the Business Corporations Act (Ontario).

The number of shares of the Company to be issued in exchange for the LIM shares was calculated to equate to the relative percentage interest of each company in the underlying assets. That is, the shareholders of LIM, other than the Company, will continue to hold, indirectly, the same percentage interest in the assets of LIM upon completion of the amalgamation as they hold, directly, before the amalgamation.

Under the amalgamation all LIM shares, other than LIM shares held by the Company, will be exchanged for shares of the Company on the basis of 3.1136546 shares of the Company for each LIM share held, resulting in the issuance of an aggregate of approximately 148,362,500 shares of the Company to LIM shareholders.

The Company is authorized to complete the Transaction, but has not yet done so.

There can be no guarantee the Transaction will be completed as described or at all.

24. Subsequent Event

In June 2023, a director advanced an additional \$50,000 to the Company on a non-interest bearing basis for working capital purposes.