Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements

For the Three Months ended June 30, 2017 and 2016

(Unaudited, expressed in Canadian dollars)

The Company's auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2017 and 2016.

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

	June 30, 2017	March 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 299,144	$ 381,649
Restricted cash (Note 7)	285,975	378,025
Accounts receivable and prepaid expenses (Notes 5 and 23)	294,676	318,741
Assets held for sale (Note 6)	975,618	1,065,619
Total current assets	1,855,413	2,144,034
Non-current assets		
Restricted cash (Note 7)	2,492,650	2,507,014
Prepaid expenses	52,500	75,000
Mineral property interests (Notes 8 and 21)	1	1
Property, plant and equipment (Notes 9, 20 and 21)	153,728	161,694
Total non-current assets	2,698,879	2,743,709
Total assets	$ 4,554,292	$ 4,887,743
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 10 and 23)	$ 497,255	$ 474,335
Prepayment on sale of equipment (Note 20)	575,000	350,000
Rehabilitation provision (Note 12)	54,000	54,000
Other liabilities (Note 13)	21,548	21,548
Total current liabilities	1,147,803	899,883
Non-current liabilities		
Rehabilitation provision (Note 12)	2,354,572	2,348,006
Total non-current liabilities	2,354,572	2,348,006
Total liabilities	3,502,375	3,247,889
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	395,687,172	395,687,172
Reserves (Note 16)	4,402,779	4,402,779
Deficit	(399,023,102)	(398,670,089)
Non-controlling interest (Note 14)	(14,932)	219,992
Total shareholders’ equity	1,051,917	1,639,854
Total liabilities and shareholders’ equity	$ 4,554,292	$ 4,887,743

Going concern (Note 1)
Commitments and contingencies (Note 19)
Subsequent event (Note 26)

The financial statements were approved by the Board of Directors on August 24, 2017 and signed on its behalf by:

Signed *“John F. Kearney”*
Director

Signed *“D.W. Hooley”*
Director

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

LABRADOR IRON MINES HOLDINGS LIMITED

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Unaudited, expressed in Canadian dollars)

	Three months ended June 30, 2017	Three months ended June 30, 2016
Operating expenses		
Site and camp operations	$ (251,218)	$ (195,854)
Depreciation (Note 9)	(7,966)	(8,386)
Loss before the undernoted	(259,184)	(204,240)
Corporate and administrative costs	(327,849)	(350,429)
Accretion (Note 12)	(6,566)	(6,480)
Interest earned	5,662	9,125
	(328,753)	(347,784)
Net loss before the undernoted	(587,937)	(552,024)
Restructuring items (Note 22)	-	(254,365)
Comprehensive loss for the year	(587,937)	(806,389)
Comprehensive loss attributable to:		
Shareholders of Labrador Iron Mines Holdings Limited	(353,013)	(806,389)
Non-controlling interest (Note 14)	(234,924)	-
	$ (587,937)	$ (806,389)
Loss per share		
Basic and diluted	$ (0.00)	$ (0.01)
Weighted average number of shares outstanding		
Basic and diluted	162,364,427	126,323,123

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

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

	Three months ended June 30, 2017		Three months ended June 30, 2016	
Cash (used in) operating activities				
Net (loss) for the period	$	(587,937)	$	(806,389)
Items not involving cash				
Depreciation		7,966		8,386
Accretion on rehabilitation provision (Note 12)		6,566		6,480
Accrued interest		14,364		17,114
Changes in working capital		69,485		26,003
Cash (used in) operating activities		(489,556)		(748,406)
Cash provided by investing activities				
Proceeds from sale of equipment (Note 14)		90,001		-
Deposit on sale of equipment (Note 20)		225,000		-
Release of restricted cash (Note 7)		92,050		-
Cash provided by investing activities		407,051		-
Change in cash and cash equivalents		(82,505)		(748,406)
Cash and cash equivalents, beginning of period		381,649		3,409,529
Cash and cash equivalents, end of period	$	299,144	$	2,661,123
Cash and cash equivalents consist of:				
Cash		259,792	$	2,034,050
Cash equivalents		39,352		627,073
	$	299,144	$	2,661,123

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

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

	Share Capital		Reserves Stock Options		Deficit	Non-Controlling Interest	Shareholders' Equity
	Number	Amount	Number	Amount	Amount	Amount	Total
Balance, March 31, 2016	126,323,123	$ 393,524,694	687,500	$ 6,031,379	$ (460,991,401)	$ -	$ (61,435,328)
Loss for the period	-	-	-	-	(806,389)	-	(806,389)
Balance, June 30, 2016	126,323,123	393,524,694	687,500	6,031,379	(461,797,790)	-	(62,241,717)
Expiry of vested options	-	-	(340,000)	(1,628,600)	1,628,600	-	-
Issuance of common shares of LIMH under the Plan (Note 18)	36,041,304	2,162,478	-	-	-	-	2,162,478
Distribution of subsidiary LIM shares under the Plan (Note 18)	-	-	-	-	-	9,800,000	9,800,000
Net income (loss) for the period	-	-	-	-	61,499,101	(9,580,008)	51,919,093
Balance, March 31, 2017	162,364,427	395,687,172	347,500	4,402,779	(398,670,089)	219,992	1,639,854
Loss for the period	-	-	-	-	(353,013)	(234,924)	(587,937)
Balance, June 30, 2017	162,364,427	$ 395,687,172	347,500	$ 4,402,779	$ (399,023,102)	$ (14,932)	$ 1,051,917

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

1. Nature of Operations, Financial Restructuring 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 100% of the common shares of each of its subsidiaries other than LIM and SMI. LIMH owned 100% of the common shares of LIM until December 19, 2016, at which date a 49% equity interest in LIM was distributed to creditors under the Plan of Arrangement and Compromise (as described below). Thereafter, LIMH owns 51% of the common shares of LIM and LIM owns 100% of the shares of SMI. Refer to Note 18.

Non-controlling interest represents the 49% equity interest in LIM not owned by LIMH. Refer to Note 14.

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 M5J 2H7.

The Company did not conduct mining operations, other than site maintenance and standby activities, during the three months ended June 30, 2016 and 2017 and the years ended March 31, 2016 and 2017, primarily due to the prevailing low price of iron ore.

In December 2016, the Company completed a financial restructuring and is currently focused on maintaining its properties and securing development financing to resume mining operations when market conditions improve. 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.

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

Financial Restructuring and Plan of Arrangement

On April 2, 2015, the Company instituted proceedings in the Ontario Superior Court of Justice (the "Court") for a financial restructuring under the Companies' Creditors Arrangement Act ("CCAA").

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

On November 10, 2016, the Company filed its plan of arrangement and compromise (the "Plan of Arrangement" or "Plan") with the Court. Following creditor approval and Court sanction, the Plan was implemented and the Company exited CCAA proceedings on December 19, 2016.
The principal purposes of the Plan were to convert the debts of parent company LIMH into equity of LIMH and the debts of subsidiaries LIM and SMI into equity of LIM and equity of Houston Iron Royalties Limited ("RoyaltyCo"). RoyaltyCo is a newly-formed corporation that has been granted the right to receive a royalty equal to 2% of the sales proceeds (FOB Port of Sept-Iles) received by LIM and SMI from sales of iron ore from the Company's Houston and Malcolm properties.

As a result of implementation of the Plan, creditors with claims against LIMH (other than those with Convenience Claims) acquired, as a group, a 22% equity interest in LIMH and creditors with claims against LIM or SMI (other than those with Convenience Claims) acquired, as a group, a 49% equity interest in LIM. In addition, creditors of LIM or SMI also acquired a 100% equity interest in RoyaltyCo.

The period of time during which the Company operated under the provisions of CCAA, being the period from April 2, 2015 until December 19, 2016, is hereinafter referred to as the "CCAA Period."

Refer to Notes 18 and 22.

Going Concern

On April 2, 2015, the Company instituted proceedings for a financial restructuring by means of a plan of compromise or arrangement under the CCAA. In December 2016, the Company's Plan of Arrangement was approved and implemented and the Company's liabilities subject to compromise were extinguished.

As at June 30, 2017, subsequent to implementation of the Plan of Arrangement, the Company had working capital of $707,610. The Company believes it has sufficient resources to continue its operations over the next 12 months, based on the Company's expectation that it will generate sufficient proceeds from the sale of surplus assets to fund its corporate and site standby activities. Accordingly, the consolidated financial statements for the three months ended June 30, 2017 have been prepared on a going concern basis, using the historical cost convention.

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

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 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 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, 2017.

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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 require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. Refer to Notes 7, 8 and 20.

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

Impairment of mineral property interests
While assessing whether any indications of impairment exist for mineral property interests, consideration is given to both external and internal sources of information. External sources of information include technical reports and arm's length mineral property transaction values. External sources of information also include changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral property interests. Internal sources of information include the manner in which mineral property interests are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future pre-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral property interests. In connection with implementation of the Plan of Arrangement in December 2016, the Company completed an assessment of the value of its mineral property interests and new royalty based on comparative valuation and discounted cash flow methodologies and recognized an impairment reversal. As at year end March 31, 2017, the Company completed an assessment of the value of its mineral property interests and based on a discounted cash flow analysis using iron ore prices prevailing in the assessment period subsequent to year end the Company recognized an impairment of its mineral property interests as at March 31, 2017. Refer to Notes 7 and 20.

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

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

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

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

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

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

Going concern
Refer to Note 1.

Contingencies
Refer to Note 18.

4. Significant Accounting Policies

The condensed interim consolidated financial statements for the three months ended June 30, 2017 should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB. The Company's significant accounting policies are consistent with those set out in Note 4 to the consolidated financial statements for the year ended March 31, 2017.

5. Accounts Receivable and Prepaid Expenses

	June 30, 2017	March 31, 2017
Accounts receivable	$ 20,284	$ 87,792
Refundable taxes	59,818	54,722
Prepaid expenses	214,574	176,227
	$ 294,676	$ 318,741

6. Assets Held for Sale

Non-current assets are reclassified as current assets held for sale if their carrying amount will be recovered principally through a sale transaction expected to be completed within one year, rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. As at June 30, 2017, an industrial building and certain surplus plant equipment as assets are classified as held for sale. The Company has entered into an agency agreement to sell the industrial building and has entered into a sales agreement to sell the surplus plant equipment. Such sales are expected to close within twelve months of the reporting date. Refer to Notes 9, 20 and 21.

	Three months ended June 30, 2017	Year ended March 31, 2017
Opening balance	$ 1,065,619	$ -
Additions:		
Building	-	475,618
Plant and equipment (Note 21)	-	590,001
Disposals:		
Plant and equipment (Notes 20 and 21)	(90,001)	-
Ending balance	$ 975,618	$ 1,065,619

7. Restricted Cash

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

	June 30, 2017	March 31, 2017
Current portion	$ 285,975	$ 378,025
Non-current portion	2,492,650	2,507,014
	$ 2,778,625	$ 2,885,039

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

During the three months ended June 30, 2017, $92,050 of restricted cash was released in connection with completed rehabilitation work.

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.

Effective December 19, 2016, as part of the Plan of Arrangement, 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 has been estimated at $7,000,000, based on management's estimate of the fair value of the royalty, principally based on a discounted cash flow methodology.

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

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

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

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

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

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

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

In accordance with the Company's accounting policies, the carrying value of the mineral property interests was assessed for impairment as at year end March 31, 2017. As required by IFRS and IAS 36, the year end impairment assessment took into consideration economic conditions prevailing at and throughout the assessment period subsequent to year end. Based on market conditions prevailing during the assessment period, an impairment of $19,999,999 on mineral property interests was recorded effective March 31, 2017.

Refer to Notes 11 and 21.

8. Mineral Property Interests (continued)

The Company's mineral property assets are as follows:

Cost at:	**Mineral property interests $**
March 31, 2016	1
Impairment reversal (Note 21)	26,999,999
Grant of royalty (Note 11)	(7,000,000)
Impairment (Note 21)	(19,999,999)
March 31, 2017 and June 30, 2017	1
Accumulated depletion and depreciation at:	
March 31, 2016 and 2017 and June 30, 2017	-
Net book value at:	
March 31, 2016	1
March 31, 2017 and June 30, 2017	1

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

9. Property, Plant and Equipment

Cost at:	Buildings and mine camp $	Office equipment $	Transportation infrastructure and equipment $	Beneficiation plant and equipment $	Total $
March 31, 2016	977,101	1	4,571,243	1	5,548,346
Disposal	-	-	(1,500,000)	-	(1,500,000)
Impairment reversal (Note 21)	-	-	-	590,001	590,001
Transfer to assets held for sale (Note 6)	(739,450)	-	-	(590,001)	(1,329,451)
March 31, 2017 and June 30, 2017	237,651	1	3,071,243	1	3,308,896
Accumulated Depreciation at:					
March 31, 2016	(306,248)	-	(3,071,243)	-	(3,377,491)
Depreciation	(33,543)	-	-	-	(33,543)
Transfer to assets held for sale (Note 6)	263,832	-	-	-	263,832
March 31, 2017	(75,959)	-	(3,071,243)	-	(3,147,202)
Depreciation	(7,966)	-	-	-	(7,966)
June 30, 2017	(83,925)	-	(3,071,243)	-	(3,155,168)
Net Book Value at:					
March 31, 2017	161,692	1	-	1	161,694
June 30, 2017	153,726	1	-	1	153,728

Transportation infrastructure and equipment includes the Company's rail track and fleet of railcars. The Company disposed of its fleet of railcars during the year ended March 31, 2017.

During the year ended March 31, 2017 the Company disposed of its fleet of railcars, which had a carrying value of $1,500,000, with the net proceeds remitted to a secured creditor in final satisfaction of a security interest in the railcars. Refer to Note 18.

As at March 31, 2017, an industrial building and certain surplus plant equipment were reclassified as assets held for sale, due to the pending sale of such building and equipment.

10. Accounts Payable and Accrued Liabilities

	June 30, 2017	March 31, 2017
Trade payables and accruals	$ 481,512	$ 463,201
Sales taxes and statutory liabilities	15,743	11,134
	$ 497,255	$ 474,335

Refer to Notes 1, 2, 18 and 22.

11. Royalty

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

Upon implementation of the Plan, LIM distributed all of the shares of RoyaltyCo to creditors of LIM and SMI, other than Convenience Creditors, on a pro rata basis in partial satisfaction of their claims against LIM and SMI.

Refer to Notes 18 and 21.

12. Rehabilitation Provision

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

At June 30, 2017, the total undiscounted amount of the Company's rehabilitation provision is $2,421,234 and is expected to be incurred between calendar 2017 and 2031. The rehabilitation provision is recognized as $2,408,572 at June 30, 2017 using a discount rate of 1.7% and a long-term inflation rate of 1.5%.

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

	Three months ended June 30, 2017	Year ended March 31, 2017
Balance, beginning of period	$ 2,402,006	$ 2,772,421
Rehabilitation expenditures incurred	-	(396,463)
Accretion	6,566	26,048
Balance, end of period	2,408,572	2,402,006
Less: current portion, end of period	(54,000)	(54,000)
Non-current portion, end of period	$ 2,354,572	$ 2,348,006

13. Other Liabilities

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

Granting of additional DSUs was suspended effective March 31, 2014. As at June 30, 2017, there were 1,077,362 DSUs outstanding with an attributed value of $21,548 (2016 - $21,548).

14. Non-Controlling Interest

Non-controlling interest represents the 49% equity share of LIMH's subsidiary LIM that was distributed to creditors of LIM and SMI, other than Convenience Creditors, under the Plan of Arrangement on December 19, 2016.

On initial recognition, non-controlling interest was measured at the proportionate share of LIM equity as at the distribution date. 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 21.

	Three months ended June 30, 2017	Year ended March 31, 2017
Beginning balance	$ 219,992	$ -
Distribution of LIM shares under the Plan (Note 18)	-	9,800,000
Net income of LIM attributable to non-controlling interest	(234,924)	(9,580,008)
Ending balance	$ (14,932)	$ 219,992

15. Share Capital

Authorized
Unlimited common shares, no par value

Issued	Shares #	Amount $
Balance March 31, 2015 and 2016	126,323,123	393,524,694
Common shares issued under the Plan (Note 18)	36,041,304	2,162,478
Balance March 31, 2017 and June 30, 2017	162,364,427	395,687,172

16. Reserves

(a) Stock options

The Company operates a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries.

A summary of the Company's options at June 30, 2017 and March 31, 2017 and the changes for the periods then ended is presented below:

	Three months ended June 30, 2017		Year ended March 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	347,500	$ 3.00	687,500	$ 4.75
Expiry of vested options	-	-	(340,000)	6.54
Outstanding, end of period	347,500	$ 3.00	347,500	$ 3.00

There were no options granted during the three months ended June 30 2017 or during the year ended March 31, 2017. As at June 30, 2017, the Company had 347,500 fully vested stock options outstanding, all with an exercise price of $3.00 and an expiry date of July 2, 2017. Refer to Note 26.

16. Reserves (continued)

(b) Reserves

A summary of the reserves account is presented below:

Balance, March 31, 2016	$	6,031,379
Expiry of vested options		(1,628,600)
Balance, March 31, 2017 and June 30, 2017	$	4,402,779

17. 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 year ended March 31, 2017 orduring the three months ended June 30, 2017. 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.

18. Plan of Arrangement

On November 10, 2016 the Company filed the Plan of Arrangement with the Court under the Company's CCAA proceedings.

The principal purposes of the Plan of Arrangement were to convert the debts of parent company LIMH into equity of LIMH and the debts of subsidiaries LIM and SMI into equity of LIM and equity of RoyaltyCo. RoyaltyCo is a newly-formed corporation that has been granted the right to receive a royalty equal to 2% of the sales proceeds (FOB Port of Sept-Iles) received by LIM and SMI from sales of iron ore from the Company's Houston and Malcolm properties.

Under the Plan, creditors with claims of $5,000 or less, or creditors with larger claims who elected to reduce their claims to $5,000 (collectively "Convenience Claims") were paid in cash.

The Plan created a framework that will permit the Company to sustain itself pending the recovery of iron ore prices, and provided creditors an opportunity to recover their debts through their equity participation in the future profits of the Company's business. The Plan was proposed by the Company in the expectation that creditors, stakeholders and other persons with an economic interest in the Company would derive a greater benefit from the implementation of the Plan than would result from a bankruptcy or immediate liquidation.

On December 6, 2016 the Plan was approved unanimously by creditors of LIMH and by approximately 95% in value of creditors of LIM and SMI, with only one contested claim. On December 19, 2016, the Plan was implemented, marking the final legal milestone in the Company's restructuring process.

As a result of implementation of the Plan, creditors with claims against LIMH (other than those with Convenience Claims), as a group, were issued with a 22% equity interest in LIMH and creditors with claims against LIM or SMI (other than those with Convenience Claims), as a group, were issued a 49% equity interest in LIM. In addition, creditors of LIM or SMI also acquired a 100% equity interest in RoyaltyCo.

The effects of implementation of the Plan are set out in Note 21 to the Company's consolidated financial statements for the year ended March 31, 2017.

19. Commitments and Contingencies

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

(b) Upon implementation of the Plan of Arrangement, all liabilities subject to compromise were extinguished on December 19, 2016 with the exception of one unresolved claim in the amount of approximately $3.0 million which has been rejected and remains in dispute. The Company has not recognized the unresolved claim as a liability as the outcome of the claim is not determinable at this time and the full amount of the unresolved claim is treated as a contingent liability.

20. Sale of Equipment

The Company has disposed of various surplus equipment for cash proceeds. At the time of sale, such equipment was classified within assets held for sale.

	Three months ended June 30, 2017	Three months ended June 30, 2016
Proceeds of sale	$ 90,001	$ -
Less: carrying value of equipment sold	(90,001)	-
Gain on sale	$ -	$ -

In addition to the above, as at June 30, 2017 the Company had received a deposit of $575,000 (June 30, 2017 - $Nil) on a pending sale of certain surplus plant and laboratory equipment.

21. Impairments

	Three months ended June 30, 2017	Year ended March 31, 2016
Mineral property interests		
Impairment reversal	$ -	$ 26,999,999
Impairment	-	(19,999,999)
Property, plant and equipment		
Impairment reversal	-	590,001
Net impairment reversal (impairment)	$ -	$ 7,590,001

The Company carried out impairment assessments in the year ended March 31, 2017 in accordance with the Company's accounting policies and as required by IFRS and IAS 36.

In December 2016, in connection with completion of the Plan of Arrangement and the issue of shares in the Company's subsidiary LIM and in RoyaltyCo, the Company recorded an impairment reversal of mineral property interests in the amount of $26,999,999, prior to taking into consideration the effect of the newly granted royalty valued at $7,000,000, based on management's estimate of the fair value of the Company's projects using various valuation approaches, including comparative market transactions and a discounted cash flow methodology, resulting in an adjusted net carrying value of $20,000,000 for such mineral property interests as at December 31, 2016. Refer to Note 8.

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

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

As at March 31, 2017, certain surplus plant equipment that was previously fully impaired was reclassified as assets held for sale, due to the pending sale of such equipment. This classification resulted in the surplus equipment being measured at fair value less costs to sell, which, based on pending sales terms, resulted in an impairment reversal of $590,001. Refer to Notes 6 and 9.

During the year ended March 31, 2016 the Company recorded an impairment charge of $6,000,000 which was recognized against property, plant and equipment. This included an impairment charge of $1,000,000 against the carrying value of the Company's fleet of railcars, reflecting a decline in resale and recycle market conditions for used industrial railcars. In addition, following the sale of the Company's remaining interest in the Howse Deposit to Tata Steel Minerals Canada Limited, the Company recorded an impairment charge of $5,000,000 against the full carrying value of the rail track as the asset is not in use. Refer to Note 9.

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

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

21. Impairments (continued)

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

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

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

22. Restructuring Items

Restructuring items represents the net impact of expenses, transactions, provisions and write-offs directly associated with the restructuring of the Company during the CCAA Period.

	Three months ended June 30, 2017	Three months ended June 30, 2016
Claims adjustments (a)	$ -	$ (18,333)
Professional fees (b)	-	(236,032)
Restructuring items (expense)	$ -	$ (254,365)

(a) Claims adjustments represents the net impact on liabilities subject to compromise resulting from settlements (other than disclaimed contracts) under the claims assessment process.

(b) Professional fees represents the cost of legal and financial professional advisors and court filing costs associated with the Company's CCAA proceedings.

23. Related Party Transactions

During the three months ended June 30, 2017, the Company paid $22,500 (2016 - $30,000) of office rent to a corporation with common directors and/or officers. At June 30, 2017, $7,200 (March 31, 2017 - $7,200) remained receivable from a related company in respect of office rent relating to a previous year.

During the three months ended June 30, 2017, the Company incurred management compensation costs payable to a company with common directors and/or officers in the amount of $27,000 (2016 - $50,000). At June 30, 2017, $27,000 (March 31, 2017 - $27,000) in management compensation remained payable to this related company. This amount payable is unsecured and non-interest bearing.

During the three months ended June 30, 2017, the Company incurred legal fees in respect of services provided by a professional corporation controlled by an officer in the amount of $1,764 (2016 - $34,084). At June 30, 2017, $1,764 (March 31, 2017 - $15,430) remained payable to this related party for legal fees.

24. Compensation of Key Management Personnel

The remuneration of directors and other key management personnel during the three months ended June 30, 2017 and 2016 was as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2016
Short-term compensation (i)	$ 159,102	$ 227,447

(i) In accordance with IAS 24, short-term compensation includes salaries, bonuses and allowances, employment benefits and directors' fees. No bonuses, allowances or directors' fees were paid in either year. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

25. Financial Instruments

Fair Value Hierarchy

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

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

At June 30, 2017 and March 31, 2017, 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 statement of financial position approximate fair value because of the limited term of the instruments.

Financial risk management

This section provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk and how the Company manages those risks. The Company's objectives and management of risks have not changed significantly during the three months ended June 30, 2017.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and equivalents and accounts receivable. The Company does not currently hold derivative type instruments that would require a counterparty to fulfill a contractual obligation. The Company has never held any asset backed paper instruments. The Company seeks to place its cash and cash equivalents with reputable financial institutions. At June 30, 2017, the Company's cash and cash equivalents were held in deposits and in an investment grade short term money market fund at a major Canadian bank. The carrying amount of financial assets represents the Company's maximum credit exposure.

ii) Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they come due. As at June 30, 2017, the Company had working capital of $707,610. The Company believes it will be able to settle its current obligations from the proceeds of sale of surplus assets. Refer to Notes 1 and 6.

25. Financial Instruments (continued)

Financial risk management (continued)

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

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

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

iv) Interest rate risk

Included in net income for the three months ended June 30, 2017 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the three months ended June 30, 2017 had been 100 basis points higher (lower) then net income would have been approximately $1,000 higher (lower). The Company does not have any variable rate debt obligations which expose it to interest rate risk.

v) Commodity price risk

The future profitability of the Company is directly related to the market price of iron ore. Fluctuations in the iron ore price could create volatility in the Company's future cash flows and the future reported amounts for sales in its consolidated statement of operations and comprehensive loss, both on a period-to-period basis and compared with operating budgets and forecasts. In addition, a drop in actual iron ore prices or expected long-term iron ore prices could impact the Company's ability to raise additional financing, if required, to complete the development of its properties, and development could also be halted if iron ore prices fall below expected operating costs. The Company had no sales of iron ore during the three months ended June 30, 2017 and 2016.

26. Subsequent Event

On July 2, 2017, 347,500 fully vested stock options with an exercise price of $3.00 expired. Upon expiry of these options, the Company had no remaining stock options outstanding.