Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Consolidated Financial Statements

For the Years Ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Labrador Iron Mines Holdings Limited

We have audited the accompanying consolidated financial statements of Labrador Iron Mines Holdings Limited and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2018 and 2017, and the consolidated statements of operations and comprehensive (loss) income, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Labrador Iron Mines Holdings Limited and its subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Labrador Iron Mines Holdings Limited requires additional funding in order to fund its ongoing working capital requirements. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the ability of Labrador Iron Mines Holdings Limited to continue as a going concern.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
July 19, 2018

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

	March 31, 2018	March 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 345,008	$ 381,649
Restricted cash (Note 7)	250,920	378,025
Accounts receivable and prepaid expenses (Note 5)	198,921	318,741
Assets held for sale (Note 6)	475,618	1,065,619
Total current assets	1,270,467	2,144,034
Non-current assets		
Restricted cash (Note 7)	2,123,829	2,507,014
Prepaid expenses	48,321	75,000
Mineral property interests (Notes 8 and 21)	1	1
Property, plant and equipment (Notes 9, 20 and 21)	129,828	161,694
Total non-current assets	2,301,979	2,743,709
Total assets	$ 3,572,446	$ 4,887,743
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 10, 18 and 22)	$ 842,614	$ 474,335
Prepayment on sale of equipment (Notes 20 and 21)	-	350,000
Rehabilitation provision (Note 12)	-	54,000
Other liabilities (Note 13)	21,548	21,548
Total current liabilities	864,162	899,883
Non-current liabilities		
Rehabilitation provision (Note 12)	2,253,100	2,348,006
Total non-current liabilities	2,253,100	2,348,006
Total liabilities	3,117,262	3,247,889
SHAREHOLDERS' EQUITY		
Share capital (Note 15)	395,687,172	395,687,172
Reserves (Note 16)	-	4,402,779
Deficit	(395,240,875)	(398,670,089)
Non-controlling interest (Note 14)	8,887	219,992
Total shareholders' equity	455,184	1,639,854
Total liabilities and shareholders' equity	$ 3,572,446	$ 4,887,743

Going concern (Note 1)
Commitments and contingencies (Note 19)

The financial statements were approved by the Board of Directors on July 19, 2018, and signed on its behalf by:

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

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

LABRADOR IRON MINES HOLDINGS LIMITED

Consolidated Statements of Operations and Comprehensive (Loss) Income

(Expressed in Canadian dollars)

	Year ended March 31, 2018	Year ended March 31, 2017
Operating expenses		
Site and camp operations	$ (466,259)	$ (958,033)
Depreciation (Note 9)	(31,866)	(33,543)
Loss before the undernoted	(498,125)	(991,576)
Corporate and administrative costs	(1,120,861)	(1,573,838)
Accretion (Note 12)	(24,278)	(26,048)
Gain on sale of equipment (Note 20)	-	376,555
Impairment reversal (Notes 8, 9 and 21)	434,379	7,590,001
Interest earned	24,215	35,303
	(686,545)	6,401,973
Net (loss) income before the undernoted	(1,184,670)	5,410,397
Restructuring recovery (Note 22)	-	45,702,307
Net (loss) income before income taxes	(1,184,670)	51,112,704
Deferred income tax (Note 26 (a))	-	-
Comprehensive (loss) income for the year	$ (1,184,670)	$ 51,112,704
Comprehensive (loss) income attributable to:		
Shareholders of Labrador Iron Mines Holdings Limited	$ (973,565)	$ 60,692,712
Non-controlling interest (Note 14)	(211,105)	(9,580,008)
	$ (1,184,670)	$ 51,112,704
(Loss) earnings per share		
Basic and diluted	$ (0.01)	$ 0.37
Weighted average number of shares outstanding		
Basic and diluted	162,364,427	136,493,683

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, 2018	Year ended March 31, 2017
Cash (used in) operating activities		
Net (loss) income for the year	$ (1,184,670)	$ 51,112,704
Items not involving cash		
Depreciation	31,866	33,543
Accretion on rehabilitation provision (Note 12)	24,278	26,048
Accrued interest	2,665	3,014
Gain on sale of equipment (Note 20)	-	(376,555)
Impairment (reversal) (Note 21)	(434,379)	(7,590,001)
Restructuring (recovery) (Note 22)	-	(46,623,891)
Changes in working capital	313,512	(339,297)
Cash (used in) operating activities	(1,246,728)	(3,754,435)
Cash provided by investing activities		
Proceeds from sale of equipment (Note 20)	1,052,462	376,555
Deposit on sale of equipment (Note 20)	(350,000)	350,000
Release of restricted cash	507,625	-
Cash provided by investing activities	1,210,087	726,555
Change in cash and cash equivalents	(36,641)	(3,027,880)
Cash and cash equivalents, beginning of year	381,649	3,409,529
Cash and cash equivalents, end of year	$ 345,008	$ 381,649
Cash and cash equivalents consist of:		
Cash	$ 305,656	$ 322,272
Cash equivalents	39,352	59,377
	$ 345,008	$ 381,649
Supplemental disclosure of cash flow information		
Distribution of shares in settlement of liabilities subject to compromise under the Plan (Note 18)	$ -	$ 18,962,478
Disposal of property, plant and equipment in settlement of a security interest (Notes 9 and 18)	$ -	$ 1,500,000

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

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

	Share Capital		Reserves – Stock Options		Deficit	Non-Controlling Interest	Shareholders' Equity
	Number	Amount	Number	Amount	Amount		Total
Balance, March 31, 2016	126,323,123	$ 393,524,694	687,500	$ 6,031,379	$ (460,991,401)	$ -	$ (61,435,328)
Expiry of vested options (Note 16)	-	-	(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 year	-	-	-	-	60,692,712	(9,580,008)	51,112,704
Balance, March 31, 2017	162,364,427	395,687,172	347,500	$ 4,402,779	$ (398,670,089)	$ 219,992	$ 1,639,854
Expiry of vested options (Note 16)	-	-	(347,500)	(4,402,779)	4,402,779	-	-
(Loss) for the year	-	-	-	-	(973,565)	(211,105)	(1,184,670)
Balance, March 31, 2018	162,364,427	$ 395,687,172	-	$ -	$ (395,240,875)	$ 8,887	$ 455,184

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

1. Nature of Operations, Financial Restructuring 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 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.

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

Non-controlling interest represents the 49% equity interest in LIM not owned by LIMH. Refer to Note 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 years ended March 31, 2018 and 2017, primarily due to the prevailing low price of iron ore. The Company completed a financial restructuring in 2016 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.

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"). 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.

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

Financial Restructuring and Plan of Arrangement (continued)

Under the Plan, the debts of parent company LIMH were converted into equity of LIMH and the debts of subsidiaries LIM and SMI were converted into equity of LIM and Houston Iron Royalties Limited ("RoyaltyCo"). RoyaltyCo was a newly-formed corporation that had 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.

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

As at March 31, 2018, the Company had working capital of $406,305. 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 year ended March 31, 2018 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 consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below were consistently applied to all the periods presented unless otherwise noted.

These 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.

During the CCAA Period the Company reclassified certain amounts within its financial statements to distinguish transactions and liabilities that were directly associated with the restructuring process from the ongoing operations of the business. Furthermore, liabilities that were affected by the restructuring plan were presented as liabilities subject to compromise during the CCAA Period. Refer to Notes 1, 4, 18, 19(b) and 22.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

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

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 and property, plant and equipment
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 an impairment of the carrying amounts of the Company's mineral property interests.

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

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

These determinations and their individual assumptions require that management make decisions based on the best available information at each reporting period. Refer to Note 21.

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. During the years ended March 31, 2017 and 2018 the Company completed impairment assessments of its mineral property interests based on a discounted cash flow analysis. Refer to Notes 8 and 21.

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

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. Refer to Note 12.

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.

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

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 19.

4. Significant Accounting Policies

Accounting policies under CCAA restructuring

In general, the Company's CCAA filing on April 2, 2015 did not change the manner in which the Company's financial statements were prepared. However, for presentation purposes, financial statements during the CCAA Period distinguish liabilities and expenses that were directly associated with the restructuring from the ongoing liabilities and operations of the business.

The consolidated statement of financial position distinguished pre-filing liabilities subject to compromise under CCAA from both those pre-filing liabilities that were not subject to compromise and from post-filing liabilities. Liabilities subject to compromise were reported at the amounts recorded in the Company's books and represented the Company's best estimate of known and potential compromised claims and were subject to adjustment as a result of negotiations, actions of the Court, proof of claim and other events. Resulting adjustments were recorded as claims adjustments in 2017. Refer to Note 22.

Expenses and provisions that can be directly associated with the CCAA restructuring have been reported separately in the consolidated statement of operations and comprehensive (loss) income as restructuring items. Refer to Note 22.

These accounting policies under CCAA restructuring were applied throughout the CCAA Period.

Basis of consolidation

The financial statements consolidate the financial statements of Labrador Iron Mines Holdings Limited and its subsidiaries, Labrador Iron Mines Limited, Schefferville Mines Inc., Labrail Inc. and Centre Ferro Ltd. All significant intercompany transactions and balances have been eliminated. Refer to Note 1.

Subsidiaries

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions. Refer to Note 1.

Presentation currency

The Company's presentation and functional currency is the Canadian dollar.

Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of such transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognized in operations in the period in which they arise.

Interest earned

Interest earned is recognized when it is probable that the economic benefits will flow to the Company and the amount of interest can be measured reliably. Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. Significant Accounting Policies (continued)

Share-based payments

The Company follows the fair value method of accounting for the stock option awards granted to employees and directors. The fair value of stock options is estimated by the Black-Scholes option pricing model with assumptions for risk-free interest rate, dividend yield, volatility of the expected market price of the Company's common shares and an expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations. The fair value of direct awards of stock is determined by the quoted market price of the Company's shares. Share-based payments are amortized to earnings over the vesting period of the related option.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected share price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options.

The Company uses graded or accelerated amortization which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

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 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. The fair value of the DSUs is recognized as a share-based payment expense with a corresponding increase in liabilities, over the period from the grant date 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 (loss) income.

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.

4. Significant Accounting Policies (continued)

Mineral property interests

The commercial viability of extracting a mineral resource is considered to be determinable when resources are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Upon determination of resources, exploration and evaluation assets attributable to those resources are first tested for impairment and then reclassified from exploration and evaluation assets to mineral property interests. Expenditures deemed to be unsuccessful are recognized in operations immediately.

Upon reclassification into mineral property interests, all subsequent development expenditures on the project are capitalized within mineral property interests.

Mineral property interests are stated at cost, less accumulated impairment.

At March 31, 2017 and 2018, all of the Company's properties are categorized as mineral property interests.

Producing mines

After commercial production of a part of mineral property interests commences, all assets included in that part of mineral property interests are reclassified into producing mines.

When a mine project moves into the producing mine stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements or mineable resource development.

Producing mines are stated at cost, less accumulated depreciation and accumulated impairment.

Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

Depletion/depreciation/amortization

Accumulated mine development costs are depleted/depreciated/amortized on a unit-of-production basis over the economically recoverable resources of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied.

Processing equipment, pumping facilities, silver yard track, port improvements, settling ponds, capitalized stripping costs, dewatering costs and roads are amortized using the units-of-production basis.

Buildings and mine camp	5% declining balance / straight line
Beneficiation plant and equipment	Units of production basis / 30% declining balance
Office equipment	30% declining balance
Transportation infrastructure and equipment	Units of production basis / straight line / 30% declining balance

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations and comprehensive loss when the asset is derecognized.

Residual values, useful lives and methods of depletion/depreciation/amortization of assets are reviewed at each reporting period, and adjusted prospectively if appropriate.

4. Significant Accounting Policies (continued)

Major maintenance and repairs

Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalized.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets, which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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.

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

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e. the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash and cash equivalents, restricted cash and accounts receivable. The Company does not have any derivative instruments. Cash equivalents are classified at fair value through profit or loss. The Company's other financial assets are classified as loans and receivables.

4. Significant Accounting Policies (continued)

Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in finance income and finance costs in the consolidated statement of operations and comprehensive (loss) income.

The Company evaluated its financial assets at fair value through profit and loss (held for trading) to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Accounts receivable

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of operations and comprehensive loss. The losses arising from impairment are recognized in the consolidated statement of operations and comprehensive loss.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the debtor or debtors will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4. Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities and other liabilities. The Company did not have any derivative instruments at March 31, 2017 and 2018.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Other financial liabilities

Borrowings and other financial liabilities, excluding derivative liabilities, are recognized initially at fair value, net of transaction costs incurred and subsequently stated at amortized cost. Any difference between the amounts originally received net of transaction costs and the redemption value is recognized in operations, or capitalized if directly attributable to a qualifying asset, over the period to maturity using the effective interest rate method.

Borrowings and other financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the consolidated statement of financial position date.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of operations and comprehensive (loss) income.

4. Significant Accounting Policies (continued)

Financial liabilities (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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) income, 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 and comprehensive (loss) income.

4. Significant Accounting Policies (continued)

Provisions (continued)

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 criteria have been met: (i) the significant risks and rewards of ownership of the product have been transferred to the buyer; (ii) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the product sold, has been retained; (iii) the amount of revenue can be measured reliably; (iv) the collectability of the proceeds is probable; and (v) the costs associated with the sale can reliably be measured.

Earnings (loss) per share

Earnings (loss) per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The diluted earnings (loss) per share calculation excludes the conversion of options and warrants that would increase earnings per share or decrease (loss) per share. All stock options and warrants outstanding during the years ended March 31, 2017 and 2018 were anti-dilutive.

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.

4. Significant Accounting Policies (continued)

Recent accounting pronouncements

During the years ended March 31, 2017 and 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements to existing standards including IAS 1, presentation of financial statements. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after April 1, 2018 or later periods. 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.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 - Revenue From Contracts With Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, 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 lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

5. Accounts Receivable and Prepaid Expenses

	March 31, 2018	March 31, 2017
Accounts receivable	$ 87,960	$ 87,792
Refundable taxes	32,661	54,722
Prepaid expenses	78,300	176,227
	$ 198,921	$ 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 March 31, 2018 assets held for sale consisted of an industrial building located in Sept-Iles, Quebec. As at March 31, 2017 the Company had entered into an agency agreement to sell the industrial building and the sale was originally expected to close within twelve months of that date. As at March 31, 2018 the industrial building had not yet been sold, yet marketing remained active and a sale is expected to be completed within a further twelve months. The plant and equipment that was classified as held for sale at March 31, 2017 was sold during the year ended March 31, 2018. Refer to Notes 9, 20 and 21.

	Year ended March 31, 2018	Year ended March 31, 2017
Opening balance	$ 1,065,619	$ -
Additions:		
Building	-	475,618
Plant and equipment (Note 21)	462,461	590,001
Disposals:		
Plant and equipment (Note 20)	(1,052,462)	-
Ending balance	$ 475,618	$ 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.

	March 31, 2018	March 31, 2017
Current portion	$ 250,920	$ 378,025
Non-current portion	2,123,829	2,507,014
	$ 2,374,749	$ 2,885,039

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

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 was estimated at $7,000,000 on the grant date, based on management's estimate of the fair value of the royalty, principally based on a discounted cash flow methodology.

All of the iron ore properties located in Labrador held by LIM are held subject to an underlying royalty in the amount of 3% of the selling price (FOB Port) of 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.

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.

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. The price of iron ore had doubled in 2016, reaching a two year high of US$80 per tonne (62% Fe CFR China basis) in December 2016 and moved higher in early 2017, reaching a high of US$97 per tonne in February 2017. As at December 2016, the historical five year average price of iron ore was US$95 per tonne.

The carrying value of the mineral property interests was assessed for impairment as at 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.

The fully impaired carrying value of the Company's mineral property interests was assessed as at March 31, 2018. As the iron ore price averaged approximately US$65 per tonne during the assessment period subsequent to year end, no revision to the fully impaired carrying value was recognized as at March 31, 2018.

Refer to Notes 11 and 18.

8. Mineral Property Interests (continued)

The Company's mineral property assets are as follows:

	Mineral Property Interest
Cost at:	
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 2018	1
Accumulated depletion and depreciation:	
March 31, 2017 and 2018	-
Net book value at:	
March 31, 2017	$ 1
March 31, 2018	$ 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

	Buildings and mine camp	Office equipment	Transportation infrastructure and equipment	Beneficiation plant and equipment	Total
Cost at:	$	$	$	$	$
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	237,651	1	3,071,243	1	3,308,896
Impairment reversal (Note 21)	-	-	221,500	240,961	462,461
Transfer to assets held for sale (Note 6)	-	-	(221,500)	(240,961)	(462,461)
March 31, 2018	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	(31,866)	-	-	-	(31,866)
March 31, 2018	(107,825)	-	(3,071,243)	-	(3,179,068)
Net Book Value at:					
March 31, 2017	161,692	1	-	1	161,694
March 31, 2018	129,826	1	-	1	129,828

Transportation infrastructure and equipment includes the Company's rail track and fleet of railcars. The carrying value of the Company's rail track is fully impaired. 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 their pending sale. Such surplus plant and equipment was sold during the year ended March 31, 2018, while the sale of the industrial building remained pending as at March 31, 2018. Refer to Note 6.

During the year ended March 31, 2018, certain transportation equipment and additional surplus plant equipment was reclassified as held for sale, due to their pending sale. Such transportation equipment and additional plant and equipment was sold during the year ended March 31, 2018. Refer to Note 6.

10. Accounts Payable and Accrued Liabilities

	March 31, 2018	March 31, 2017
Trade payables and accruals	$ 695,104	$ 463,201
Sales taxes and statutory liabilities	147,510	11,134
	$ 842,614	$ 474,335

Refer to Notes 1, 2, 18 and 22.

11. Royalty

In connection with the Plan, 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 were 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 March 31, 2018, the total undiscounted amount of the Company's rehabilitation provision is $2,150,435 and is expected to be incurred between calendar 2018 and 2031. The rehabilitation provision is recognized as $2,253,100 at March 31, 2018 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:

	Year ended March 31, 2018	Year ended March 31, 2017
Balance, beginning of year	$ 2,402,006	$ 2,772,421
Rehabilitation performed	(270,799)	(396,463)
Change in estimate	97,615	-
Accretion	24,278	26,048
Balance, end of year	2,253,100	2,402,006
Less: current portion, end of year	-	(54,000)
Non-current portion, end of year	$ 2,253,100	$ 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 March 31, 2018, there were 1,077,362 (2017 - 1,077,362) DSUs outstanding with an attributed value of $21,548 (2017 - $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 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 18.

	Year ended March 31, 2018	Year ended March 31, 2017
Beginning balance	$ 219,992	$ -
Distribution of LIM shares under the Plan	-	9,800,000
Net (loss) income of LIM attributable to non-controlling interest	(211,105)	(9,580,008)
Ending balance	$ 8,887	$ 219,992

15. Share Capital

Authorized
Unlimited common shares, no par value

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

16. Reserves

(a) Stock options

The Company has adopted 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 March 31, 2018 and March 31, 2017 and the changes for the years then ended are presented below:

	Year ended March 31, 2018		Year ended March 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	347,500	$ 3.00	687,500	$ 4.75
Expiry of vested options	(347,500)	$ 3.00	(340,000)	6.54
Outstanding, end of year	-	-	347,500	$ 3.00

As at March 31, 2017, the Company had 347,500 fully vested stock options outstanding, all with an expiry date of July 2, 2017. There were no options granted during the year ended March 31, 2018 (2017 – Nil). As at March 31, 2018, the Company had no stock options outstanding.

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	4,402,779
Expiry of vested options	(4,402,779)
Balance, March 31, 2018	-

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 years ended March 31, 2017 and 2018. The Company is not subject to externally imposed capital requirements.

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

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

18. Plan of Arrangement

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

Under the Plan, the debts of parent company LIMH were converted into equity of LIMH and the debts of subsidiaries LIM and SMI were converted into equity of LIM and RoyaltyCo. RoyaltyCo was a newly-formed corporation that had 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.

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 and on December 19, 2016, the Plan was implemented.

The following table sets out the effects of implementation of the Plan on December 19, 2016.

	Shares Issued (#)	Share Issue Price ($)	Value ($)
Pre Plan Implementation:			
Compromised liabilities, March 31, 2016			66,474,551
Claims adjustments			8,465,434
Compromised liabilities, December 19, 2016			74,939,985
Plan Implementation:			
Convenience Claim cash payments			(135,566)
Distribution of LIMH common shares	36,041,304	0.06	(2,162,478)
Distribution of LIM common shares	49,000,000	0.20	(9,800,000)
Distribution of RoyaltyCo common shares	35,000,000	0.20	(7,000,000)
Disposal of railcars			(1,500,000)
Write-off of compromised liabilities			(54,341,941)
Post Plan Implementation:			
Compromised liabilities, after Plan Implementation			-

The issue price of LIMH shares was based on an estimate of LIMH's net asset value, after taking into consideration implementation of the Plan, which consisted primarily of the value of LIMH's 51% equity interest in LIM.

The issue price of LIM shares was based on an estimate of LIM's net asset value, after taking into consideration implementation of the Plan, which consisted primarily of the value of LIM's mineral property interests, estimated primarily using a discounted cash flow methodology. Refer to Notes 8 and 21.

The issue price of RoyaltyCo shares was based on an estimated value of the acquired Houston Royalty, using a discounted cash flow methodology. Refer to Notes 11 and 21.

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, 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. Gain on Sale

The Company sold various surplus equipment for cash proceeds during the years ended March 31, 2017 and 2018. The carrying value of the equipment sold during the year ended March 31, 2017 had been previously fully impaired. The equipment sold during the year ended March 31, 2018 had been previously subjected to a reversal of impairment and had been transferred into assets held for sale.

	Year ended March 31, 2018	Year ended March 31, 2017
Proceeds of sale	$ 1,052,462	$ 376,555
Carrying value of equipment sold	(1,052,462)	-
Gain on sale	$ -	$ 376,555

The proceeds of sale recognized in the year ended March 31, 2018 include a deposit of $350,000 which was received in the year ended March 31, 2017.

21. Impairments

	Year ended March 31, 2018	Year ended March 31, 2017
Mineral property interests		
Impairment reversal	$ -	$ 26,999,999
Impairment	-	(19,999,999)
Property, plant and equipment		
Impairment reversal	462,461	590,001
Accounts receivable and prepaid expenses		
Impairment	(28,082)	-
Net impairment reversal	$ 434,379	$ 7,590,001

The Company carried out impairment assessments in the years ended March 31, 2017 and 2018 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.

The carrying value of the mineral property interests was assessed for impairment as at 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 March 31, 2017 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 Note 6.

The fully impaired carrying value of the Company's mineral property interests was assessed as at March 31, 2018. As the iron ore price averaged approximately US$65 per tonne during the assessment period subsequent to year end, no revision to the fully impaired carrying value was recognized as at March 31, 2018.

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 Recovery

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

	Year ended March 31, 2018	Year ended March 31, 2017
Disclaimed contracts (a)	$ -	$ (65,000)
Claims adjustments (b)	-	(8,465,434)
Contract recoveries (c)	-	747,384
Professional fees (d)	-	(856,584)
Write-off of compromised liabilities (e)	-	54,341,941
Restructuring recovery	$ -	$ 45,702,307

(a) Disclaimed contracts represents the value of claims which arose due to disclaimed contracts.

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

(c) Contract recoveries represents the net benefit of the terms of contract settlements (other than disclaimed contracts).

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

(e) Write-off of compromised liabilities represents the value of compromised liabilities extinguished in excess of the attributed value of consideration issued to settle such compromised liabilities upon implementation of the Plan. Refer to Note 18.

23. Related Party Transactions

During the year ended March 31, 2018, the Company paid $90,000 (2017 - $100,000) of office rent to a corporation with common directors and/or officers. During the year ended March 31, 2018 the Company recovered $7,200 (2017 - $7,200) in respect of office rent relating to a previous year from a corporation with common directors and/or officers.

During the year ended March 31, 2018, the Company incurred management compensation costs payable to a company controlled by an officer in the amount of $88,500 (2017 - $177,000).

During the year ended March 31, 2018, the Company incurred legal fees in respect of services provided by a professional corporation controlled by an officer in the amount of $21,714 (2017 - $217,472).

24. Compensation of Key Management Personnel

The remuneration of directors and other key management personnel during the years ended March 31, 2018 and 2017 was as follows:

	Year ended March 31, 2018	Year ended March 31, 2017
Short-term compensation (i)	$ 385,480	$ 687,455

(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 March 31, 2017 and 2018, the Company's financial instruments that are carried at fair value, consisting of cash equivalents, have been classified as Level 1 within the fair value hierarchy.

Fair value

Fair value estimates are made at the financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash and cash equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities on the statement of financial position approximate fair value because of the limited term of the instruments. The fair value of liabilities subject to compromise was determined in the year ended March 31, 2017 with the settlement of these liabilities under the Plan. Refer to Note 18.

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, 2017 and 2018.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and 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 March 31, 2018, 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 March 31, 2018, the Company had working capital of $406,305 (2017 – $1,244,151). The Company believes it will be able to settle its current obligations from the proceeds of sale of surplus assets. Refer to Note 1.

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

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

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

iv) Interest rate risk

Included in the loss for the year ended March 31, 2018 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the year ended March 31, 2018 had been 100 basis points higher (lower) then the loss would have been approximately $3,000 lower (higher). The Company does not have any variable rate debt obligations which expose it to interest rate risk.

v) Commodity price risk

The future profitability of the Company is directly related to the market price of iron ore. Fluctuations in the iron ore price could create volatility in the Company's future cash flows and the future reported amounts for sales in its consolidated statement of operations and comprehensive loss, both on a period-to-period basis and compared with operating budgets and forecasts. In addition, a drop in actual iron ore prices or expected long-term iron ore prices could impact the Company's ability to raise additional financing, if required, to complete the development of its properties, and development could also be halted if iron ore prices fall below expected operating costs. The Company had no sales of iron ore during the years ended March 31, 2017 and 2018.

26. 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% (2017 - 27%) were as follows:

a) Provision for Income Taxes

	Year ended March 31, 2018 $	Year ended March 31, 2017 $
Net (loss) income before income taxes	(1,184,670)	51,112,704
Expected income tax (recovery) expense based on statutory rate	(323,000)	13,917,000
Adjustment to expected income tax benefit due to:		
Change in tax rates	-	-
Permanent differences	-	1,000
Change in benefit of tax assets not recognized	323,000	(13,918,000)
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, 2018 $	March 31, 2017 $
Non-capital loss carry-forwards	263,554,000	225,248,000
Capital losses	659,000	659,000
Mineral property costs	35,755,000	30,755,000
Reclamation	2,253,000	2,402,000
Property, plant and equipment	26,254,000	35,920,000

The non-capital loss-carryforwards of approximately $263,554,000 expire from 2027 to 2038. 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.

27. Repayable Advance

In May 2013, the Company entered into an arrangement with RBRG, pursuant to which RBRG provided a repayable advance of US$35,000,000 against the sale of future iron ore production by the Company.

The repayable advance balance was included in liabilities subject to compromise and was extinguished under the Plan on December 19, 2016.

	Year ended March 31, 2018	Year ended March 31, 2017
Balance, beginning of year	$ -	$ 31,526,588
Claim adjustment	-	8,392,834
	-	39,919,422
Less amount included in liabilities subject to compromise	-	(39,919,422)
Balance, end of year	$ -	$ -

Refer to Notes 1, 2, 18, 22 and 29.

28. Finance Lease Obligation

In 2012 the Company entered into a lease agreement for a mine camp expansion.

Effective June 1, 2016, the Company and the lessor amended the lease agreement suspending remaining lease payments and providing the Company with a two year option to reactivate the lease, resulting in a restructuring recovery of $518,769. The Company did not exercise its option to reactivate the lease. Payments due on the lease as at May 31, 2016 were transferred to liabilities subject to compromise and were extinguished under the Plan on December 19, 2016.

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

	Year ended March 31, 2018	Year ended March 31, 2017
Balance, beginning of year	$ -	$ 895,361
Less amount included in liabilities subject to compromise	-	(376,592)
Restructuring recovery	-	(518,769)
Balance, end of year	$ -	$ -

Refer to Notes 1, 2, 18, 22 and 29.

29. Liabilities Subject to Compromise

Liabilities subject to compromise were liabilities which were claims under the CCAA proceedings. The full balance of liabilities subject to compromise was extinguished under the Plan on December 19, 2016. Refer to Notes 1, 2, 10, 18, 19, 22, 27 and 28.

	Year ended March 31, 2018	Year ended March 31, 2017
Balance, beginning of year	$ -	$ 66,474,551
Claim adjustments	-	8,465,434
	-	74,939,985
Compromised under the Plan	-	(74,939,985)
Balance, end of year	$ -	$ -