

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
LABRADOR IRON MINES HOLDINGS LIMITED, LABRADOR IRON MINES LIMITED
and SCHEFFERVILE MINES INC. (the "Applicants")

**APPLICATION UNDER THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

APPLICATION RECORD

April 1, 2015

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INDEX

TAB		PAGE
1	Notice of Application	1-9
2	Affidavit of John F. Kearney sworn March 31, 2015	10-50
	Exhibits	
A	Organization Chart	51
B	Location Map	52
C	Chart of Iron Ore Spot Price	53
D	Financial Statements	54-115
E	Property Search Results	116-164
F	Monitor's Consent	165-167
3		
A	Initial Order	168-184
B	Initial Order (black-line)	185-204

Tab 1

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NOTICE OF APPLICATION

TO THE RESPONDENT:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing on **April 2, 2015, at 2:00 p.m.**, at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date

Issued by: _____
Local registrar

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APPLICATION

1. Labrador Iron Mines Holdings Limited ("LIMH"), Labrador Iron Mines Limited ("LIM") and Schefferville Mines Inc. ("SMI", and together with LIMH and LIM, the "Applicants") make this application for:

- (a) an Initial Order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") substantially in the form attached at Tab 3 of the Applicants' application record (the "**Application Record**"), among other things:
 - (i) abridging the time for service of this Notice of Application and the materials filed in support of the application and dispensing with further service thereof;
 - (ii) declaring that the Applicants are companies to which the CCAA applies;
 - (iii) directing the Applicants to continue to carry on business and deal with their assets, including businesses and assets of other entities, partnerships and joint ventures in which they have a direct or indirect ownership interest (collectively with the Applicants, the "**LIM Group**"), in a manner consistent with the preservation of their business and property and to make certain payments in connection with their business and the proceedings herein;
 - (iv) granting a stay of proceedings in respect of the Applicants and their property and in respect of their former, present and future directors and officers (the "**Directors and Officers**");
 - (v) authorizing the Applicants to continue to use their existing cash management system;
 - (vi) appointing Duff & Phelps Canada Restructuring Inc. ("**Duff & Phelps**") as an officer of this Court to monitor the assets, businesses and affairs of the Applicant (in such capacity,

the "**Monitor**") and directing and empowering the Monitor to, among other things, review and monitor business and affairs of the Applicants;

- (vii) granting a first ranking charge over the property, assets and undertakings of the Applicants (the "**Property**") to secure amounts owing to the Applicants' professional advisors, the Monitor and its professional advisors (the "**Administration Charge**");
- (viii) indemnifying the Directors and Officers from any liability that they may incur after the date of this application and granting a second ranking charge over the Property, limited to the amount of \$300,000, to secure that indemnity (the "**Directors' Charge**");
- (ix) directing a methodology for service of materials in these CCAA proceedings; and,
- (x) granting such other relief as counsel may request and this Honourable Court may allow;

(b) further orders providing for:

- (i) the determination of claims against some or all of the Applicants;
- (ii) the filing of a plan of compromise or arrangement (the "**Plan**"), and notices of meetings of creditors to consider and, if deemed advisable, approve the Plan;
- (iii) notices to creditors as to the approval and sanctioning of a Plan, together with such other steps and relief as counsel may request and this Honourable Court may allow; and,
- (iv) if and when approval of the creditors has been obtained and all other conditions for sanctioning the Plan have been satisfied, an order approving and sanctioning the Plan; and

(c) such further and other relief as counsel may request and this Honourable Court may allow.

2. The grounds for the application are as follows:
 - (a) This court has jurisdiction in that the Applicants' registered and executive offices are located at 220 Bay Street, Suite 700, Toronto, Ontario M5J 2W4.
 - (b) The Applicants are companies to which the CCAA applies:
 - (i) LIMH is a holding company incorporated in the Province of Ontario pursuant to articles of incorporation dated May 17, 2007 under the Business Corporations Act (Ontario), R.S.O. 1990 c.B.16 (the "OBCA");
 - (ii) LIM is a company constituted under the laws of the Province of Ontario pursuant to the articles of amalgamation dated November 30, 2007 under the OBCA, formed by LIMH to be the operating company in respect of iron ore properties located within the Province of Newfoundland and Labrador and previously held or controlled by LIMH;
 - (iii) SMI is a company incorporated under the laws of Canada pursuant to articles of incorporation dated May 17, 2007 under the Canada Business Corporations Act (Ontario), R.S.C. 1985 c.C.44 (the "CBCA"), formed by LIMH to be the operating company in respect of iron ore properties located within the Province of Québec and previously held or controlled by LIMH;

- (iv) The total claims against each of the Applicants exceed \$5 million; and,
 - (v) The Applicants are insolvent in that their liabilities exceed the value of their assets, and their operations, including ongoing environmental remediation activities, are not sustainable in light of high operating costs and the prevailing low price of iron ore.
- (c) The circumstances of the Applicants makes the relief sought appropriate, and, in particular, the relief sought is needed to permit the Applicants to restructure their affairs in a way that will provide reasonable recoveries to creditors while also providing economic and other benefits to the Applicants' social stakeholders. In particular, the relief sought herein is necessary to enable the Applicants to:
- (i) protect their assets from erosion due to unilateral actions by unpaid creditors;
 - (ii) continue their efforts to secure the funding needed to carry out their current and longer term operating plans;
 - (iii) attempt to restructure their key operating contracts; and,
 - (iv) if necessary and advisable, pursue a contemporaneous going-concern sale of the Applicants' property, assets and undertakings.

- 7
- (d) Duff & Phelps is a trustee within the meaning of s. 2(1) of the *Bankruptcy and Insolvency Act*, is otherwise qualified to act as the monitor of the Applicants (the "Monitor"), and has consented to so act.
 - (e) The Applicants' professional advisors, the Monitor and its professional advisors, and the professional advisors to the Directors and Officers, require that amounts due to them by the Applicants on account of services rendered in respect of these proceedings be secured by a first ranking charge over the Applicants' Property.
 - (f) The Directors and Officers require that they be indemnified in respect of obligations and liabilities that they may incur after the commencement of these proceedings, and the Applicants are unable to obtain adequate insurance, at reasonable cost, to indemnify the Directors and Officers.
 - (g) The Applicants cannot restructure without the assistance of their existing directors and officers, the Monitor and the professional advisors to the Applicants and the Monitor.
 - (h) The Applicant also relies on:
 - (i) the provisions of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, including, without limitation, ss. 3, 9, 10, 11, 11.02, 11.03, 11.51 and 11.52;
 - (ii) Rules 2.03, 3.02, 14.02(2) and 38 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended;

- 8
- (iii) section 106 of the *Courts of Justice Act*, R.S.O. 1990 c.C.43, as amended;
 - (iv) the equitable jurisdiction and discretion of this Honourable Court;
 - and
 - (v) Such other grounds as counsel may advise and this Honourable Court may permit.

3. The following documentary evidence will be used at the hearing of the application:

- (a) The Affidavit of John Kearney;
- (b) The Report of Duff & Phelps as proposed Monitor; and,
- (c) Such further and other evidence as counsel may advise and this Honourable Court may allow.

April 1, 2015

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

NOTICE OF APPLICATION

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Tab 2

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AND SCHEFFERVILLE MINES INC.

AFFIDAVIT OF JOHN F. KEARNEY

(Sworn March 31, 2015)

I, John F. Kearney, of the City of Toronto, in the Province of Ontario, Canada, MAKE
OATH AND SAY:

1. I am the Chairman, Chief Executive Officer and a director of Labrador Iron Mines Holdings Limited ("**LIMH**"), Labrador Iron Mines Limited ("**LIM**") and Schefferville Mines Inc. ("**SMI**") (LIMH, LIM and SMI are sometimes collectively referred to herein as the "**Applicants**") and as such I have personal knowledge of the matters set out below except where otherwise stated. Where I do not have personal knowledge, I have stated the source of my information and I believe such information to be true.

2. This affidavit is sworn in support of the application for an Initial Order, among other things:
 - (a) abridging and validating the time for service of the Notice of Application and the Application Record, and dispensing with further service thereof;

 - (b) declaring that the Applicants are companies to which the CCAA applies;

- (c) appointing Duff & Phelps Canada Restructuring Inc. ("**Duff & Phelps**") as Monitor of the Applicants;
 - (d) staying all proceedings and remedies taken or that might be taken against or in respect of the Applicants or any of their property, except as otherwise set forth in the Initial Order;
 - (e) authorizing the Applicants to carry on business in a manner consistent with the preservation of their property and to make certain payments in connection with their business and the proceedings; and
 - (f) creating the Administration Charge (defined below) and the Directors' Charge (defined below).
3. If the relief sought is granted, the Applicants' action plan over the next forty five days is as follows:
- (a) To consult with their creditors and stakeholders with a view to securing agreement to a restructuring plan which would compromise creditor claims and restructure the Applicants key operating contracts;
 - (b) To pursue negotiations for the monetization of certain of the Applicants' non-core assets; and
 - (c) To continue discussions with LIM's major outside creditors, RBRG Trading (UK) Limited ("**RBRG**" and formerly RBR Metalloyd Limited) and Grey Rock Services Inc. ("**Grey Rock**") with a view to concluding an agreement to compromise their claims;

- (d) To continue discussions with Gerald Metals SA ("**Gerald**"), an affiliate of RBRG with a view to concluding a support agreement and a potential mine development financing generally as contemplated in a non-binding memorandum of understanding, dated November 4, 2014 and described in more detail later in this affidavit;
- (e) To identify opportunities and pursue interim debtor-in-possession financing ("**DIP Financing**") on a basis to be determined to cover the costs of the Applicants' care and maintenance operations during these proceedings should it appear that the Applicants do not have sufficient liquidity or resources to fund these costs and these CCAA proceedings.

A. OVERVIEW

4. The Applicants, headquartered in Toronto and operating through LIM, develop and mine direct shipping ("**DSO**") iron ore projects in the Labrador Trough, located in the Provinces of Newfoundland and Labrador and of Quebec, near Schefferville, Québec. DSO is ore of a sufficiently high iron content to allow shipping and sale to the end users with only limited upgrading and without prior treatment in a concentrator.

5. At present, LIM's mining and shipping operations are suspended in light of the prevailing low price of iron ore and the high operating costs experienced. LIM decided not to commence its normal, seasonal (April to November) mining operations for the 2014 operating season and is now operating on a care and maintenance basis.

6. In 2014, the iron ore price declined nearly 50% to approximately US \$66.00/tonne by late December, 2014. LIM did not resume mining operations in 2014

due to the deteriorating iron ore market conditions and particularly in the context of its high operating costs. The iron ore price has continued to decline during the 2015 year to date dropping below US\$60 /tonne, primarily as a result of excess supply from large Australian producers to the China market. By the end of March, 2015 the price was approximately \$US52/tonne. In future, the Applicants' ability to carry out their operations and address their current working capital deficit will depend upon their ability to secure new financing and restructure their current debts, key operating costs and contracts relating to their operations.

7. In order to effect this restructuring, the Applicants are applying for an initial order (the "**Initial Order**") and related relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") that will allow them the time and space necessary to negotiate with stakeholders with a view to securing agreement to a restructuring plan which would compromise creditor claims, restructure key operating contracts, secure new financing and otherwise consider restructuring and refinancing options.

8. The Applicants believe that a restructuring under the CCAA can be achieved in an orderly and timely manner. The Applicants are confident that if their current debts and the key operating contracts can be restructured they will be able to preserve their key assets and secure the necessary financing to resume operations in a profitable and responsible fashion. In the event a restructuring plan cannot be achieved on acceptable terms the Applicants will seek a sale of all or part of their assets under the supervision of the Court in these proceedings.

9. To assist the Court, the following table lists the headings under which my evidence is organized, with related page references.

A.	OVERVIEW	3
B.	CORPORATE STRUCTURE	6
C.	THE APPLICANTS' BUSINESS	8
	1. Overview.....	8
	2. <i>Properties – The Schefferville Projects</i>	10
	3. <i>Mining Operations</i>	16
	4. <i>Rail and Port Operations</i>	18
	5. <i>Commodity Price Declines and Operations Difficulties</i>	23
	6. <i>Community Relations and First Nations Agreements</i>	26
D.	CURRENT FINANCIAL POSITION	28
E.	CURRENT OPERATING PLAN	30
F.	RESTRUCTURING EFFORTS TO DATE	31
	1. <i>The Search for Capital Investment</i>	32
	2. <i>Negotiations with Suppliers and Services Providers</i>	34
G.	THE CCAA PROCEEDINGS	35
	1. <i>Applicants Meet the Requirements of CCAA</i>	35
	2. <i>Relief Sought</i>	35
	3. <i>Charges</i>	37
	4. <i>Funding During the Proceedings</i>	39
H.	CONCLUSION	40

B. CORPORATE STRUCTURE

10. LIMH is incorporated in the Province of Ontario pursuant to articles of incorporation dated May 17, 2007 under the *Business Corporations Act* (Ontario), R.S.O. 1990 c.B.16 (the “**OBCA**”). LIMH completed an initial public offering in 2007 to develop and mine iron ore properties in the Labrador Trough and its shares were listed on the Toronto Stock Exchange.

11. LIM is constituted under the laws of the Province of Ontario pursuant to articles of amalgamation dated November 30, 2007 under the OBCA. LIM is a wholly owned subsidiary of LIMH and acts as the operating company in respect of iron ore properties located within the Province of Newfoundland and Labrador.

12. SMI is incorporated under the laws of Canada pursuant to articles of incorporation dated September 1, 2009 under the *Canada Business Corporations Act*, R.S.C. 1985 c.C.44 (the “**CBCA**”). SMI was formed by LIMH to be the operating company in respect of iron ore properties located within the Province of Québec.

13. Marked as Exhibit “A” to this affidavit is an organization chart showing the corporate relationships among the Applicants and other wholly owned subsidiaries of LIMH.

14. At this time, the proposed consolidation of the proceedings in respect of the Applicants is for administrative purposes only and does not effect a consolidation of the assets and property of the Applicants, including for the purposes of any plan of restructuring or arrangement that may be hereafter proposed. Unless otherwise

ordered by the Court, the Applicants will continue to maintain their separate property and assets.

15. The Applicants' registered and executive offices are located at 220 Bay Street, Toronto, Ontario M5J 2W4.

16. LIMH is a publicly held company the share capital of which consists of an unlimited number of common shares without par value of which 126,323,123 common shares are issued and outstanding. In addition, 13,800,000 warrants and 1,030,000 options to purchase totals of 13,800,000 and 1,030,000 additional common shares, respectively, are issued and outstanding.

17. Prior to February 24, 2015, LIMH's shares were listed on the Toronto Stock Exchange ("TSX") under the symbol "LIM". In addition, the 13,800,000 warrants to purchase 13,800,000 additional shares at \$1.35 per share referred to above were also listed on the TSX under the symbol "LIM.WT". These 13,800,000 warrants expire on February 13, 2016. In light of LIMH's low market capitalisation, and in contemplation of the application hereunder, LIMH submitted a voluntary delisting application to the TSX which became effective at the close of markets on February 23, 2015. LIMH intends to seek relisting on the TSX or an alternate exchange as part of a restructuring plan contemplated in these proceedings.

18. LIM's share capital consists of an unlimited number of common shares without par value. All of LIM's issued and outstanding common shares are owned by LIMH.

19. SMI's share capital consists of an unlimited number of common shares without par value. All of SMI's issued and outstanding common shares are owned by LIMH.

20. The directors of LIMH are Matthew Coon Come, Eric Cunningham, Gerald Gauthier, D. William Hooley, Danesh Varma and me.

21. As set out above, I am also a director of LIM and SMI. In addition to me, the directors of such companies are Rodney A. Cooper and Richard R.J. Pinkerton.

22. The executive officers of each of the Applicants are:

- (a) John F. Kearney, Chairman and Chief Executive Officer;
- (b) Rodney A. Cooper, President and Chief Operating Officer;
- (c) Richard R.J. Pinkerton, Chief Financial Officer; and
- (d) Neil J.F. Steenberg, Secretary.

23. The Applicants currently have 15 full time employees and independent contractors, including 8 at the Applicants' corporate offices and 7 at other locations. At the peak of its mining operations in August 2013 the Applicants had 250 employees and independent contractors, including 75 aboriginal people from local communities, employed at its mine and exploration sites, offices and other locations.

C. THE APPLICANTS' BUSINESS

1. Overview

24. The Applicants' operations are carried out in the central part of the Labrador Trough iron ore region (the "**Schefferville Projects**").

25. The Labrador Trough is one of the major iron ore producing regions in the world and has a history of mining dating to the early 1950s. The Labrador Trough straddles

the boundary between the Province of Newfoundland and Labrador and the Province of Québec.

26. The Schefferville Projects are centered in the Menihek area in the Province of Newfoundland and Labrador around the towns of Schefferville and Kawawachikamach, Québec. Schefferville is a community of about 1,000 people, the majority of whom are Innu of the Matimekush Lac John First Nation. Kawawachikamach (“Kawa”), is a community of 1,000 people, almost all of whom are Naskapi of the Naskapi First Nation. There are no roads connecting Schefferville or Kawa to southern Labrador or to Québec. The Schefferville Projects are connected by a direct railway to the Port of Sept-Îles on the Atlantic Ocean.

27. The Town of Schefferville was established by Iron Ore Company of Canada (“IOC”) and IOC built the railway. IOC began mining and shipping iron ore from its DSO operations in the Schefferville area in 1954. Over the years, IOC placed more emphasis on the concentrating ores from its larger operations in the Labrador City/Wabush area when markets for the direct shipping Schefferville ores declined. Ultimately, IOC closed its operations in the Schefferville area in 1982.

28. No mining took place in the Schefferville area from the time IOC ceased operations in 1982 until LIM began development work in 2007 and commenced mining operations in 2011.

29. LIM’s mine operated seasonally from approximately the beginning of April to the end of November in 2011, 2012 and 2013. The mine operations were shut down each winter from approximately the beginning of December to the end of March.

30. LIM's operations have been funded largely by LIMH which raised capital through public share offerings in December, 2007, March, 2010, April, 2011, March, 2012, November, 2012, and February, 2013.

31. Through these public offerings, LIMH raised total gross proceeds (before underwriting commissions and offering expenses) of \$342,620,728. To date, a total of approximately \$270 million has been loaned by LIMH to LIM on an unsecured basis making LIMH the largest creditor (unsecured) of LIM.

32. As described in further detail below, with the exception of limited security interests granted over certain iron ore stockpiles of LIM and SMI, over LIM's fleet of rail cars and in respect of certain capital leases, all of the Applicants' obligations are unsecured.

2. Properties – The Schefferville Projects

33. The Schefferville Projects consist of:

- (a) the James mine ("**James Mine**") which was in production until November, 2013 and adjacent Stage 1 deposits;
- (b) the Silver Yards processing facility ("**Silver Yards**");
- (c) the Houston property ("**Houston**");
- (d) the Howse property ("**Howse**"), now held in a joint venture with Tata Steel Minerals Canada Limited ("**TSMC**"), a subsidiary of Tata Steel; and
- (e) other iron ore properties in the vicinity of Schefferville and Menihek that are subject to further exploration and development.

Each of these projects is described in more detail below. Marked as **Exhibit "B"** to this affidavit is a location map illustrating the geographic location of the Schefferville Projects.

34. The Schefferville Projects comprise (i) four mining leases covering approximately 510 hectares, eleven surface leases covering approximately 2,008 hectares and 25 mineral rights licences covering approximately 15,650 hectares located in Newfoundland and Labrador and held by LIM, and (ii) 447 mining claims covering approximately 4,342 hectares located in the Province of Québec and held by SMI.

35. The properties comprising the Schefferville Projects are subject to royalties in favour of former holders as follows: (i) in the case of properties in Newfoundland and Labrador, 3% of the selling price of iron ore produced and shipped from such properties subject to maximum rates of US\$1.50 per tonne for properties near existing infrastructure, including the James Mine and Houston, to a low of US\$0.50 per tonne for certain properties that are further away from infrastructure and (ii) in the case of properties in Québec, \$2.00 per tonne of iron ore produced and shipped from such properties.

36. As at March 31, 2014, the Applicants had measured and indicated mineral resources, as defined in *National Instrument NI43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators* ("**NI 43-101**"), totaling approximately 54.8 million tonnes DSO at an average grade of 56.8% iron ("**Fe**") and inferred taconite mineral resources totalling approximately 620 million tonnes at an average grade of 31.8% Fe at the Schefferville Projects. In addition, the Applicants had

approximately 4.8 million tonnes of inferred DSO resources at an average grade of 55.7% Fe.

37. The Applicants also hold previously-mined stockpiles, located within 15 km of Silver Yards, with a NI 43-101 compliant, indicated mineral resource of approximately 1.15 million tonnes at an average grade of 48.6% Fe.

38. Subject to available financing and the successful restructuring of its current debts and cost structure, the Applicants plan to develop and mine the various Schefferville Projects in stages as follows:

Houston Project

39. The Houston deposit (the "**Houston Project**") is situated in Labrador, about 15 km southeast of the Applicants' James Mine and Silver Yards processing plants and approximately 20 km from Schefferville.

40. The Houston deposit contains an independently estimated measured and indicated resource of 40.6 million tonnes at an average grade of 57.6% Fe. The Houston ore is harder than the James ore and will result in the production of a larger proportion of premium priced, lump product. The expected grade of this premium product is 62% Fe in the initial years and between 58% to 62% Fe as ore is extracted from the deeper parts of the deposits in later years depending on run-of-mine grade.

41. The Houston Project is considered to have an 8 to 10 year mine life at an annual production rate of two to three million tonnes.

42. It is anticipated that development of the Houston Project will be undertaken in phases, subject to the availability of financing. The development will include construction of a haulage road, mine infrastructure, rail siding and related facilities.

43. Current plans are to process the ore by dry screening at the mine site and haul the ore from Houston to Silver Yards, or to a new Houston rail siding, where it will be loaded onto railcars. The haulage distance from Houston to Silver Yards is approximately 20 km. Upon completion of a new rail siding at Houston, ore will be loaded directly onto railcars at Houston.

44. It is anticipated that should the development of Houston be undertaken and become fully operational, a total of approximately 350 jobs will be created, including approximately 315 jobs (includes contractors) at the mine site and in the Schefferville area, approximately 20 jobs at the Applicants' head office and approximately 15 jobs in other locations.

James Mine Project

45. The James Mine Project was LIM's first mining operation and comprises the James Mine and adjacent satellite deposits and historical stockpiles. These deposits are closest to existing facilities and infrastructure at Silver Yards within an area identified by the Applicants as the Central Zone.

46. LIM carried out mining operations at the James Mine in 2011, 2012 and 2013. The Applicants have no plans for further mining at the James Mine in the immediate future as its economic resources have been mined out.

47. Future mining from other Stage 1 properties could involve the sequential development of a number of smaller satellite deposits within a 15 km radius of Silver Yards, subject to detailed engineering, design, environmental assessment and permitting.

Howse Project

48. The Howse Project comprises two mineral rights licenses covering 975 hectares located in Labrador, about 25 km north of the James Mine and adjacent to TSMC's Timmins Area mines and new processing plant.

49. The Howse deposit is subject to a joint venture agreement dated as of August 28, 2013 with TSMC (the "**Howse JV Agreement**"). Pursuant to the Howse JV Agreement, a wholly-owned subsidiary of TSMC acquired an initial 51% participating interest in the project for \$30 million, and is the operator of the project. TSMC has the right to increase its interest to 70% by funding the next stage of expenditure of \$23.5 million whereupon LIM's participation in the project will be diluted to 30%.

50. As part of a strategic relationship between LIM and TSMC, announced March 12, 2013, the two companies have been co-operating with each other in various aspects of their respective iron ore operations in the Schefferville area. The strategic relationship includes multi-part co-operation agreements in areas of logistics, property rationalization and various ancillary mutual support and potential off-take arrangements. As part of the logistics agreements, LIM and TSMC formalized arrangements for construction of a new rail line that extends the rail line from LIM's Silver Yards to TSMC's new Timmins Area processing plant and thus connects both companies to the TSH main rail line.

51. Under the Howse JV Agreement, TSMC has the right to purchase LIM's participating interest in the joint venture for fair market value in certain circumstances including, the taking of any proceedings with respect to a compromise or arrangement, or a change in control of LIM or LIMH.

52. On March 31, 2015 LIM and LIMH completed an agreement with TSMC and TSMC's wholly-owned subsidiary for the sale of LIM's remaining interest in the Howse Project for an agreed sale price of \$5.0 million

53. LIM and LIMH together with their respective boards of directors believe the agreed sale price of \$5.0 million is a fair consideration and this transaction was the best available way to monetize a non-core asset for the following reasons:

- (a) A minority interest in the Howse Project is illiquid and not considered to be readily marketable to any third party having regard to contractual restrictions contained in the Howse JV Agreement including TSMC's right to purchase LIM's interest upon the taking of any proceedings with respect to a compromise or arrangement and rights of first refusal and drag along rights in favour of TSMC in the event of a sale to a third party.
- (b) LIM holds a minority interest in the project and will have to contribute its proportionate share of pre-production and production capital costs prior to realizing any revenue from the project. Failure to so contribute will result in dilution of LIM's interest;
- (c) The prevailing unfavourable price conditions within the global market for iron ore will likely limit a higher current valuation for the Howse Project;

Elizabeth Taconite Project

54. The Elizabeth Taconite Project, comprising two adjacent deposit areas (Elizabeth 1 and Elizabeth 2), is an early stage exploration project located approximately four km west of the James Mine. Elizabeth 1 is estimated to have NI 43-101 compliant inferred resources of approximately 620 million tonnes at an average grade of 31.8% Fe. There is significant potential for resource expansion as the deposit remains open along strike to the northwest and southeast.

55. The Elizabeth Taconite mineralisation is not DSO and would require further upgrading through a concentrator involving a major capital investment to produce a saleable iron ore product.

56. LIM considers that on a preliminary basis and subject to further resource definition, available financing and a favourable world iron ore price, the Elizabeth Taconite Project might support iron ore concentrate production substantially in line with LIM's reserved port capacity for possibly several decades.

3. Mining Operations

James Mine

57. During LIM's 2011, 2012 and 2013 operating years, mining activities took place at the James Mine. During this time, LIM mined a total of approximately 4.55 million tonnes of ore and removed 8.2 million tonnes of waste from the James open pit.

58. During 2013, some initial mining also took place at the Redmond Mine (205,000 tonnes).

59. Mining was conducted by Grey Rock Services Inc. (“**Grey Rock**”), a mining contractor and operator, under a Mining Services Agreement between LIM and Innu Municipal Limited Partnership, a partnership between Municipal Enterprises Limited and the Innu Nation of Labrador, dated May 1, 2011.

60. The Silver Yards processing facilities are located approximately one km from the James Mine and consist of dry and wet beneficiation plants, laboratory, maintenance facilities, with hydroelectric grid connection and other infrastructure, including rail loading facilities. To date, LIM has invested approximately \$86.7 million in Silver Yards plant and equipment.

61. LIM's processing plants at Silver Yards have been upgraded and expanded since their first use in 2011. In addition to the original wet plant (which was expanded), a dry screening plant was added to increase capacity and to provide flexibility in treating different ore types. In 2013, the facility was also connected to existing hydroelectric grid power.

Houston

62. The Houston Project is planned to form the core of the Applicants' operations for approximately the next decade. However, as a result of the Applicants' current financial position, the Applicants need new financing and the restructuring of their current debts and operational costs in order to bring the Houston Project into production.

63. Subject to available financing, the development plan for Houston is relatively simple. The major component consists of constructing an 8 km gravel road, including a bridge over a river crossing. The new road will connect to an existing road which leads

to the Silver Yards facility. The distance by road from Houston to Silver Yards is approximately 20 km. Including initial mine development, the initial capital investment to develop the Houston Mine is expected to be approximately \$20 million.

64. During 2014, the Houston development plan was revised in response to lower iron ore prices and in order to reduce up-front capital. The revised plan is based on lower-cost dry crushing and screening only, with deferral of the originally proposed wet plant. The Silver Yards wet plant will be maintained in standby condition and may be re-commissioned to process lower grade plant feed from Houston and, potentially, production from other deposits in later years.

65. The development plan also provides for construction of a new rail siding near the Houston Mine. When the rail siding is complete, it will be used in conjunction with the Silver Yards rail siding to increase train loading capacity up to approximately 3 million tonnes per year, and will reduce the operating cost of overland haulage from the Houston Mine to the rail head.

4. Rail and Port Operations

66. The majority of Canada's iron ore production, including the Applicants' iron ore production, is exported from the Port of Sept-Îles, Québec. This port is operated by the Port Authority of Sept-Îles and is the second largest port in Canada.

67. The Port of Sept-Îles is situated 650 km down river from Québec City on the north shore of the Gulf of St. Lawrence on the Atlantic Ocean. The Port of Sept-Îles is the largest and most important port for the shipment of iron ore in North America. Each

year, the port handles approximately 28 million tonnes of merchandise, mainly iron ore, approximately 80% of which is destined for the international market.

Rail Operations

68. The Applicants' Schefferville Projects are connected by rail to the Port of Sept-Îles. The iron ore is transported by rail from the Silver Yards processing facilities along LIM's six km rail spur line and connects to the Tshuétin Rail Transportation Inc. ("**TSH**") railway. The 198 km TSH railway then connects to the Québec North Shore and Labrador Railway ("**QNS&L**") railway at Emeril Junction which runs about 300 km to the Port of Sept-Îles. At the port, the iron ore is unloaded and stockpiled for shipping.

69. The Silver Yards spur line connecting to the TSH railway is operated on LIM's behalf by Western Labrador Rail Services Inc. ("**WLRS**"). In August 2013, LIM agreed with TSMC that this spur line would be extended to link the TSMC project and the Howse deposit to the TSH railway through Silver Yards. This new rail line, which was completed in 2014, is now operational and connects both companies to the TSH main line. It is planned that the entire extended spur line is to be owned and operated by an affiliate of WLRS on behalf of LIM and TSMC.

70. The TSH railway is owned by a consortium of three First Nations: the Naskapi Nation of Kawawachikamach, the Innu of Matimekush-Lac John and the Innu Takuaikan Uashatmak Mani-Utenam. The QNS&L railway is owned by IOC, the majority shareholder of which is Rio Tinto, a global mining company.

71. From the commencement of mining operations in June 2011 through to the end of their third operating year in November 2013, LIM transported approximately 3.9

million wet metric tonnes (“wmt”) of iron ore products through its rail operations. During the 2013 operating season alone, LIM transported approximately 1.68 million wmt (1.55 million dry metric tonnes (“dmt”)) through its rail operations. LIM was the primary freight hauler on the TSH line during these years.

72. In June 2012, LIM entered into a new rail transportation agreement with TSH railway (the “**TSH Agreement**”), replacing its previous annual agreement, which provides for the running of LIM’s rail cars and leased locomotives, manned by TSH personnel, on the TSH track. The TSH Agreement provides for a tariff with various capacity and volume commitments on the part of each of TSH and LIM.

73. Pursuant to the TSH Agreement, LIM agreed to make contributions towards the costs of TSH’s upgrade program on its rail line of up to \$25.0 million over four years. . TSMC agreed to make a similar investment.

74. To date, a total of \$9.5 million has been contributed by LIM towards the TSH upgrade program.

75. In March 2011, LIM entered into a rail transportation agreement with QNS&L (the “**QNS&L Agreement**”) setting out the terms under which QNS&L carries the iron ore in LIM’s rail cars from Emeril Junction to Sept-Îles. QNS&L provides the locomotives and operating personnel for LIM’s ore haulage on the QNS&L railway.

76. The QNS&L Agreement provides for a tariff with various capacity and volume commitments on the part of each of QNS&L and LIM.

77. LIM has made advance payments under the QNS&L Agreement totaling \$15 million, of which \$10 million was paid in 2011 and \$5 million was paid in 2012. QNS&L

required these advance payments to secure the locomotive equipment and infrastructure capacity to meet LIM's anticipated haulage volumes on the QNS&L rail line. LIM can recover these advance payments from QNS&L by means of a special credit of \$3.50/wmt hauled, of which approximately \$9.5 million has been recovered to date.

LIM's 'Take or Pay' Obligations

78. Both the TSH Agreement and the QNS&L Agreement (the "**Rail Contracts**") contain minimum haulage obligations whether or not LIM actually transports product on the railways. These 'take-or-pay' obligations create significant long term obligations for LIM and cannot be avoided simply by shutting down operations for a given period.

79. The QNS&L Agreement and the TSH Agreement were negotiated in an era of much higher iron ore prices than prevail today and these minimum haulage obligations have proven difficult to meet, especially in the months of April and November when weather-related issues sometimes truncate the raiing period.

80. As such, the 'take-or-pay' obligations have significantly increased LIM's unit operating costs in months where the minimum tonnage is not met. These 'take-or-pay' obligations have contributed significantly to the Applicants' operating losses.

Port Operations

81. As described in detail below, LIM signed a two year iron ore sales agreement with IOC in 2013, replacing yearly agreements signed for 2011 and 2012. IOC handles all of the iron ore through its port facilities at Sept-Îles.

82. Pursuant to a July 2012 long-term customer contract with the Port Authority of Sept-Îles (the "**Port Authority**"), LIMH has reserved ship loading capacity for LIM of 5 million tonnes per year, with the right to secure additional residual capacity at a new multi-user dock facility which is under construction in the Port. Under this agreement, LIMH made a first advance payment of \$6.4 million to the Port Authority and agreed to a second, final advance payment of \$6.4 million.

83. These advance payments will be credited as discounts against future port wharfage and shipping fees until such time as the cumulative discounts amount to the buy-in payments. LIMH has deferred payment of the second and final \$6.4 million instalment pending resolution by the Port Authority of land access to the new multi-user dock. The Port Authority holds a security interest in LIM's fleet of rail cars as security for payment of this remaining \$6.4 million instalment.

84. In addition, commencing the first month after the port facilities are complete and operational LIM is obliged under this agreement to pay discounted wharfage and shipping fees on 50% of its annual, 5.0 million tonne reserved capacity in equal monthly instalments as take or pay tonnage guarantee.

5. *Commodity Price Declines and Operations Difficulties*

85. In early 2011 the world price of iron ore reached a high of US\$195/tonne and the price averaged US\$ 168 /tonne for 2011. During 2012, there was a major decline in world iron ore prices in the middle of LIM's April to November seasonal operations. In particular, the price dropped from US\$147.65/ tonne in April 2012 to US\$86.70/tonne in September 2012.

86. This price decline reduced the Applicants' cash flow significantly and required the Applicants to severely curtail operations in 2012. The Applicants experienced operating losses in 2012 of approximately \$58.0 million.

87. In 2013, LIM obtained additional working capital financing to fund the resumption of its mining operations. In May 2013, LIM entered into a financing agreement (the "**RBRG Financing Agreement**") with RBRG.

88. Under the terms of the RBRG Financing Agreement, RBRG advanced a pre-payment of US\$35 million to LIM. The pre-payment was intended to be repaid through the proceeds of LIM's committed sales of 3.5 million tonnes of iron ore shipments between August 2013 and December 2014. In consideration for the pre-payment, RBRG was granted a security interest over certain iron ore stockpiles owned by LIM and by SMI. Both LIMH and SMI have guaranteed LIM's obligations under the RBRG Financing Agreement.

89. In May 2013, LIM entered into a two-year iron ore sales agreement with IOC for the 2013 and 2014 operating seasons (the "**IOC Sales Agreement**"). At the same time, IOC entered into a sales agreement with RBRG.

90. Pursuant to the IOC Sales Agreement and prior to suspending operations, LIM sold all of its iron ore to IOC who, in turn, re-sold it to RBRG.

91. During 2013 operations, as mining went deeper in the James open pit, both the grade and the consistency of the ore began to fall. Among other things:

- (a) the iron content of some of the shipments was lower than standard benchmark levels (typically 62% Fe; and
- (b) the silica content of the shipments was generally higher than the 4.5% threshold).

92. This reduction in grade and consistency created difficulties in plant throughput and product quality and resulted in discounts being applied to the price of LIM's iron ore products, which negatively impacted revenues. As a result, even though iron ore prices held up in the US \$130 to \$140/tonne range during 2013, the Applicants were unable to generate positive cash flow during the 2013 operating season and experienced operating losses of approximately \$91.2 million for the 2013 year.

93. In 2014, the iron ore price declined nearly 50% to approximately US \$66.00/tonne by late December, 2014 primarily as a result of excess supply from large Australian producers to the China market. LIM did not resume mining operations in 2014 due to the deteriorating iron ore market conditions and particularly in the context of its high operating costs. The iron ore price has continued to decline during the 2015 year to date dropping below US\$60 /tonne. By the end of March, 2015 the price was approximately \$US52/tonne. Marked as **Exhibit "C"** to this affidavit is an annotated chart of the iron ore spot prices for the years 2009 to 2014 and year-to-date. The

principal reason for the decline in iron ore prices is a very significant increase in supply from Australian iron ore producers being sold in the China market.

94. The presently depressed price of iron ore, operational problems in 2012 and 2013, together with significant capital investment for plant upgrades and expansion at Silver Yards, have put considerable strain on the Applicants' cash resources.

95. At December 31, 2013, a total of 1,663,000 wet tonnes of iron ore had been delivered under the RBRG Financing Agreement, resulting in US\$14.4 million credited against the advance payment. No iron ore was delivered under the RBRG Financing Agreement in 2014. Accordingly, there remains a balance to be repaid under the RBRG Financing Agreement of US\$20.6 million, excluding potential interest and penalties claimed by RBRG.

96. The iron ore mining industry within the Labrador Trough area of western Labrador and eastern Quebec, including the Applicants' Schefferville Projects, is a major contributor to the economy of communities in the area. In addition to the suspension of LIM's operations in the Schefferville area, depressed iron ore prices and high operating and transportation costs have led to the closure of the larger Wabush mine and the Bloom Lake mine, both of which are located near Labrador City and owned by Cliffs Natural Resources of the United States, with the loss of up to 900 full time jobs. Operations at the Wabush and Bloom Lake mines utilized the same QNS&L railway and many of the same contractors and suppliers as LIM's Schefferville operations. On November 19, 2014 Cliffs Natural Resources announced that it was exiting the iron ore business in Canada and confirmed the cessation of iron ore production at Bloom Lake on January 2, 2015. On January 27th, 2015 Cliffs Natural

Resources announced that its Canadian operating subsidiaries had applied for and obtained an order under the CCAA for protection from their creditors.

6. *Community Relations and First Nations Agreements*

97. The properties comprising the Schefferville Projects are located in an area over which different First Nations assert claims for traditional aboriginal rights. These include claims by the Innu of Matimekush- Lac John (Schefferville), the Innu of Uashat Mak Mani-Utenam (Sept-Îles), the Naskapi Nation of Kawawachikamach (near Schefferville) and the Innu Nation of Labrador.

98. The Applicants have entered into Impact Benefit Agreements (“IBAs”) with the Innu Nation of Labrador (July, 2008), the Naskapi Nation of Kawawachikamach (September, 2010), the Innu of Matimekush-Lac John (Schefferville) (June, 2011), and the Innu Takuaihan Uashat Mak Mani-Utenam (Sept-Îles) (February, 2012) with respect to the development and operation of the Schefferville Projects.

99. The Applicants have also entered into an Economic Partnership Agreement (December, 2012) with the NunatuKavut Community Council, representing the Southern Inuit of Labrador.

100. Under the IBAs and the Economic Partnership Agreement, the Applicants have agreed to use their efforts to provide employment and training opportunities for members of these communities and business opportunities for local aboriginal-owned and operated businesses.

101. The Applicants also agreed to provide these aboriginal groups with a financial participation in the Schefferville Projects based, in part, on iron ore production. The

Applicants further agreed to take certain social and environmental protection measures to mitigate the impact of the Schefferville Projects on local communities.

102. The Applicants, both on their own and through their contractors, have provided employment for up to 250 people when in full operating mode, including approximately 75 members of these aboriginal communities. In addition, several of the Applicants' operating contracts are with businesses which are owned or partially owned by community members, including the TSH Rail Agreement and the Mining Services Agreement with Innu Municipal Limited Partnership, (a partnership between Municipal Enterprises Limited and the Innu Nation of Labrador).

103. Through the IBAs and Economic Partnership Agreement, the First Nations groups have consented to the Applicants' projects and have agreed to provide the Applicants continuing and unobstructed access to, and equitable enjoyment of, the iron ore projects and its properties.

104. Overall, the Applicants believe that LIM's operations have, and can continue to have, a significant positive economic and social impact on the towns of Schefferville, Québec; Kawawachikamach, Québec; Sept-Îles, Québec; and Goose Bay, Labrador and the surrounding communities, with some positive impact on the towns of Labrador City and Wabush, Labrador. LIM operated the only significant business in the Schefferville area and is a meaningful contributor to the economy of Newfoundland and Labrador, particularly Labrador.

D. CURRENT FINANCIAL POSITION

105. The Applicants' financial position and the results of operations are consolidated in LIMH's financial statements which are publicly disclosed in accordance with applicable securities laws. A copy of LIMH's audited consolidated financial statements for the financial year ended March 31, 2014 and its unaudited consolidated financial statements for the nine months ended December 31, 2014 are marked as Exhibit "D" to this affidavit.

106. After recognition of non-cash impairment charges totalling \$198,168,728 in the period ending December 31, 2014, the Applicants had current and non-current assets of \$3,479,483 and \$12,390,450, respectively, and current and non-current liabilities of \$65,728,733 and \$3,826,211, respectively.

107. Presently, the Applicants have an unrestricted, consolidated cash balance of approximately \$5.5 million. The Applicants' banking arrangements together with those of the Applicants' other affiliated companies are operated on a centralized offset banking basis such that all but \$1,000 of the available cash balances of each of LIM and SMI are transferred to and held in an operating account in the name of LIMH. Intercompany obligations arising as a result of this system are tracked and recorded in the non-consolidated financial records of each of the Applicants. It is intended that these banking arrangements will continue. Current operations of LIM and SMI have been funded by advances from LIMH which are recorded as intercompany obligations. Intercompany advances by LIMH to LIM and SMI are currently approximately \$270.2 million and \$21.3 million, respectively.

108. In addition to the intercompany debt owing to LIMH, LIM's most significant creditors are currently:

- (a) RBRG (deferred revenue) (approximately US\$20.6 million); and
- (b) Innu Municipal/Grey Rock and its affiliates (accounts payable) (approximately \$15.6 million).

The majority of amounts due to creditors have been outstanding since the end of LIM's operating season in 2013. The creditors have been largely supportive of the Applicants' efforts to restructure their affairs and many have for a period of more than one year and to date continued to provide some goods and services and have not sought to enforce payment or other remedies.

109. The amounts owed to these, and all other creditors, are unsecured except that (i) RBRG holds a security interest in certain iron ore stockpiles owned by LIM and SMI; (ii) the Port Authority holds a security interest in LIM's fleet of rail cars; and (iii) LIM's mine camp and some of the Applicants' office equipment are subject to capital leases. Marked as Exhibit "E" to this affidavit are copies of search results for personal property registrations in the provinces of Ontario, Québec and Newfoundland & Labrador against the Applicants as of March 9, 2015.

110. In light of the current prevailing iron ore price, LIM's ability to operate on a cash-flow positive basis is conditional on the restructuring of its mining, rail and port contracts and other operating costs. In 2013, the Applicants generated negative gross margin of \$49,188,203, with rail and port costs accounting for more than 50% of the unit cost of LIM's production. LIM did not resume mining operations in 2014 due in part to these

costs, particularly in the context of deteriorating iron ore market conditions. The Applicants will need a meaningful restructuring of these costs, to be able to resume mining operations in 2015 or in the foreseeable future.

111. In addition, the Applicants must restructure their current payables to a manageable level and obtain financing to fund the capital expenditures and working capital needed to resume mining operations.

E. CURRENT OPERATING PLAN

112. The Applicants have developed an operating plan (the "**Operating Plan**") which addresses both LIM's operating plans for the next mining season (the "**Current Mining Plan**") and longer-term plans. The Operating Plan, based upon three years' operating experience, is designed to balance product quality and quantity and minimize operating costs.

113. At this time, the Applicants do not have the necessary financial resources to re-commence mining operations in 2015. LIM will not be able to implement the Operating Plan unless the Applicants can secure additional financing for capital costs and working capital, and reduce its mining, rail and port infrastructure and other operating costs. If additional financing cannot be secured on a timely basis, LIM will have to again defer re-commencement of its mining operations.

114. The Current Mining Plan contemplates that approximately 1.1 million dmt of iron ore product will be produced from high grade ore (greater than 60% Fe) mined from the Houston deposits in the first year of production. Further, the plan contemplates that the processing of the Houston ores would result in nearly 100% mass yield with about one

third of the product being lump (6-8 mm up to 32 mm in size), which commands a US\$10/dmt premium price on the market and two thirds being sinter fine (below 6 mm in size).

115. However, shipping and sale of LIM's iron ore products in its next mining season will depend on when the new haulage road from Houston to Silver Yards and haulage fleet procurement are completed. The construction schedule is estimated to be three to four months from start-up. If the haulage road and fleet procurement are delayed because of the continued lack of working capital financing, the Applicants will have to defer shipping and sales of their product.

116. The Applicants require restructuring of their current accounts payable and new investment or financing facilities to provide necessary working capital to ensure operations can effectively continue and to enable the development of the Houston project in accordance with the Operating Plan.

117. Future operating plans involve the relocation of the dry crushing and screening plant from Silver Yards to Houston and the construction of a new railway siding near the Houston mine thereby reducing the ore haulage requirements and related operating costs.

F. RESTRUCTURING EFFORTS TO DATE

118. Over the past 18 months, the Applicants (working with Canaccord Genuity Corp. ("**Canaccord**")), an independent Canadian investment bank, and, more recently, in consultation with Duff & Phelps, have made significant efforts to identify and negotiate additional financing for capital costs and working capital.

119. Over the same period, the Applicants have met regularly with RBRG to keep it apprised of developments and explore possible new financing arrangements. Through these efforts and after extensive negotiations over several months, the Applicants entered into a non-binding memorandum of understanding (“**MOU**”) with RBRG and Gerald, dated November 4, 2014 which contemplated RBRG’s agreement to support the Applicants’ proposed restructuring and to compromise the debts owed to it on terms to be set out in a support agreement among the Applicants, Gerald and RBRG and the provision by Gerald of interim financing and a conditional mine development credit facility upon implementation of a restructuring. As of the date hereof, these support and financing agreements have not yet been concluded.

120. LIM has also been negotiating with certain suppliers and service providers since the end of its 2013 operating season in an effort to restructure its operating costs. To date, these efforts have been partially successful.

121. These proceedings are necessary to permit the Applicants an opportunity to complete negotiations with their suppliers and service providers to restructure the Applicants’ accounts payable, as well as to permit the Applicants a further opportunity to pursue potential sources of financing or other means of effecting a restructuring of their business and operations.

1. *The Search for Capital Investment*

122. The Applicants have pursued a lengthy and extensive process over the past 18 months in attempts to secure new sources of capital investment (the “**Investment Solicitation Process**”) including as follows:

- (a) Canaccord has led all of LIMH's equity financings since its initial public offering in 2007. Using a confidential information memorandum ("**CIM**"), prepared in conjunction with the Applicants' management, Canaccord approached and provided a CIM to a number of sources of potential capital after they executed confidentiality/non-disclosure agreements ("**NDA**s") and followed up the resulting detailed inquiries;
- (b) In 2014, the Applicants had extensive discussions with, and provided detailed operational and corporate information to, a major Chinese international mining and metals trading firm and to a major Indian steel company, both of which also entered into NDAs;
- (c) During 2014, the Applicants provided detailed operational and corporate information to, and had discussions with, a major Europe-based international commodities trading and logistics firm, which also entered into an NDA;
- (d) During 2014, the Applicants had discussions with and provided detailed operational and corporate information to other developing iron ore producers in the Labrador Trough region and elsewhere under the provisions of NDAs;
- (e) The Applicants provided CIMs to a leading international accounting firm for the purpose of engaging with its Sovereign Wealth Fund contacts in the Middle East;

- (f) The Applicants provided CIMs to several Toronto-based well respected mine finance executives; and
- (g) The Applicants pursued extensive discussions with RBRG and Gerald.

123. To date, the Investment Solicitation Process has not resulted in any definitive proposals other than the transaction described in the MOU executed by RBRG and Gerald on December 1, 2014. The Applicants intend to continue their efforts to secure additional financing, arrange financing for these proceedings, if required, and/or to realize on certain of their assets.

2. Negotiations with Suppliers and Services Providers

124. The Applicants have had ongoing discussions with Grey Rock. These discussions have resulted in a broad based understanding for a new unit cost rate structure for future mining operations.

125. The Applicants have also met on numerous occasions with the railway and port service providers to negotiate reductions in the unit tariffs charged and relief from the 'take or pay' obligations in the Rail Contracts. While these discussions have been constructive, the Applicants have not, to date, concluded revised agreements for adequate revisions to the applicable rail and port costs.

126. Negotiations with the key stakeholders described above must be successfully concluded to permit implementation of the Applicants' Operating Plan.

G. THE CCAA PROCEEDINGS

1. Applicants Meet the Requirements of CCAA

127. The Applicants are companies to which the CCAA applies because:

- (a) each are corporations constituted under the OBCA or the CBCA;
- (b) they have consolidated debts in excess of the \$5 million statutory requirement in the CCAA; and,
- (c) they are insolvent in that consolidated current liabilities exceed their consolidated current assets by approximately \$62.2 million, and, but for the commencement of these proceedings, they are unable to meet their obligations as they become due.

128. The Applicants believe that the resumption and continuation of mining operations will be of significant benefit not only to existing suppliers and service providers, but also to the Labrador and Schefferville areas generally and to local businesses and residents, including, predominately, First Nations people. As noted above, the Applicants' contributions to community and cultural activities in the region and the aboriginal communities' equitable financial participation in the Applicants' mining projects are a major positive economic benefit to the region.

2. Relief Sought

129. The principal objectives of the Applicants in these proceedings are to: restructure current debts; to preserve the value of the mineral properties; restructure operating costs (including key operating contracts); and position LIM to continue its

operations when that can be done profitably, for the benefit of all their stakeholders. A stay of proceedings is required to enable the Applicants to:

- (a) propose a restructuring plan to their creditors with a view to securing agreement to compromise their claims on a basis to be determined;
- (b) continue discussions with LIM's major outside creditors, RBRG and Grey Rock with a view to concluding an agreement to compromise their claims;
- (c) continue discussions with Gerald with a view to concluding a potential mine development financing generally as contemplated in the MOU;
- (d) pursue the restructuring of their key operating contracts;
- (e) preserve their business while they pursue and implement the restructuring; and
- (f) negotiate interim DIP Financing if and as required to finance the costs of the Applicants' care and maintenance operations during these proceedings.
- (g) position the Applicants to identify and negotiate for future financing to support the exit from these proceedings and the resumption of mining operations or, failing that, to establish and implement a process for the sale of their assets under the supervision of the Court.

130. The Applicants believe that the CCAA process provides the Applicants with the opportunity to address LIM's operating costs and liabilities so that the business can restart production on an economic basis through, among other things, restructuring

amounts owing to creditors and providing the Applicants with additional revenue-generating opportunities.

131. Duff & Phelps has consented to act as Monitor of the Applicants in these proceedings and I believe them to be qualified and competent to act as such. Further, Duff & Phelps is not, and has never been, the auditor or accountant of any of the Applicants, nor is it otherwise precluded from being appointed Monitor under s. 11.7(2) of the CCAA. Attached as Exhibit F to this affidavit is the consent of Duff & Phelps to act as Monitor.

132. During the course of this CCAA proceeding, the Applicants intend to make payments for goods and services supplied post-filing as set out in the cash flow projection referred to below and as permitted by the Initial Order.

133. In their present challenging financial circumstances and having regard to the reduction of its staff, LIMH will no longer require its current head office premises and proposes to vacate its current premises. Arrangements have been made with a group of companies which share some common management personnel with the Applicants for some of LIM's remaining personnel to share a portion of the group's sublet premises within the same building as the Applicants' premises on an as needed basis. Other contract personnel of LIM will operate from their own premises.

3. *Charges*

134. It is contemplated that the Monitor, counsel to the Monitor, and counsel to the Applicants would be granted a first priority Court-ordered charge up to a maximum amount of \$500,000 on the assets, property and undertakings of the Applicants in

priority to all other charges (the “**Administration Charge**”), in respect of their respective fees and disbursements in connection with these proceedings. The Applicants believe the Administration Charge is fair and reasonable in the circumstances.

135. The Applicants require the expertise, knowledge and continuing participation of the proposed beneficiaries of the Administration Charge in order to complete a successful restructuring. I believe the Administration Charge is necessary to ensure their continued participation, particularly in light of the Applicants’ current liquidity position.

136. It is contemplated that the directors and officers of the Applicants would be granted a second priority Court-ordered charge on the assets, property and undertakings of the Applicants in priority to all other charges other than the Administration Charge (the “**Directors Charge**”) up to a maximum amount of \$300,000 as security for certain indemnities contemplated in the Initial Order. The amount of the Directors’ Charge has been calculated based on the estimated prospective exposure of the Applicants’ directors and officers in the event of a sudden shut-down of the Applicants’ business and operations. The Applicants believe the Directors’ Charge is fair and reasonable in the circumstances.

137. A successful restructuring of the Applicants will only be possible with the continued participation of the Applicants’ directors and officers who have provided and will continue to provide strategic advice and guidance which has been essential to the Applicants in connection with the ongoing operation of the business and the formulation and implementation of a restructuring plan. These individuals have specialized expertise and relationships with the Applicants’ stakeholders and potential third party

financiers, investors and purchasers. In addition, the Applicants' directors and officers have significant knowledge of the Applicants' business and operations that cannot be easily replicated or replaced.

138. It is my understanding that in certain circumstances, directors and officers can be held personally liable for certain of the Applicants' obligations.

139. LIMH maintains an insurance policy in respect of the potential liability of the Applicants' directors and officers (the "**D&O Insurance Policy**"). The D&O Insurance Policy insures the directors and officers of the Applicants for certain claims that may arise against them in their capacity as directors and/or officers of the Applicants. However, the D&O Insurance Policy contains several exclusions and limitations to the coverage provided, and there is a potential for there to be insufficient coverage in respect of the potential liabilities of the Applicants' directors and officers.

140. The directors and officers of the Applicants have expressed their desire for certainty with respect to potential personal liability if they are to continue in their current capacities during a CCAA proceeding.

4. Funding During the Proceedings

141. As set out in the cash flow forecast appended to the report of the Monitor, the Applicants' principal use of cash during these proceedings will consist of the payment of ongoing day-to-day operational expenses, such as standby and care and maintenance costs, security and environmental management and technical planning at its Schefferville Projects, management salaries and fees for the individuals providing services to the Applicants, office related expenses, and professional fees and

disbursements in connection with these CCAA proceedings, including invoices for services rendered prior to the commencement of these proceedings.

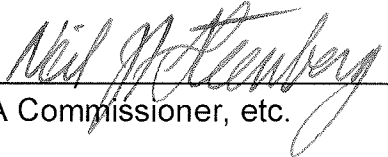
142. As indicated in the cash flow forecast, the Applicants are not expected to operate during these proceedings and will therefore not be generating any revenue. The Applicants project that they will have sufficient cash to fund their business operations and these proceedings for the foreseeable future. It may be necessary in the future for the Applicants to secure DIP Financing or monetize certain assets to fund their operating costs and other expenses while they seek a restructuring, which may include a sale of some or all of the business. The Applicants are seeking to complete these proceedings as quickly as reasonably possible in order to minimize restructuring costs and the impact on the Applicants' business.

H. CONCLUSION

143. The Applicants own very extensive iron ore resources, processing plants and equipment and rail infrastructure and facilities but are currently in a very challenging financial position. The Applicants believe that an orderly and expedited CCAA process that enables (i) the restructuring of the Applicants' debts, (ii) the restructuring of certain of their operating contracts, (iii) the securing of DIP Financing if and as required, and (iv) the securing of exit financing is in the best interest of all of the financial stakeholders of the Applicants because it will position the Applicants to resume mining operations as soon as economic conditions warrant or maximize the recoveries associated with the Applicants' business. The Applicants believe that the current depressed iron ore price cannot continue indefinitely and that the price of iron ore will recover to more reasonable levels as world demand catches up with supply and current excess supply is

absorbed by continued economic growth in China and other developing regions. The resumption of mining operations by the Applicants will be of significant economic and social benefit to the various communities, including First Nations, where they operate. In the alternative to the foregoing, the implementation of an orderly asset sale process under the supervision of the Court will maximize value for the benefit for all stakeholders.

SWORN BEFORE ME, at the City of Toronto, in the Province of Ontario, this 31st day of March, 2015


A Commissioner, etc.

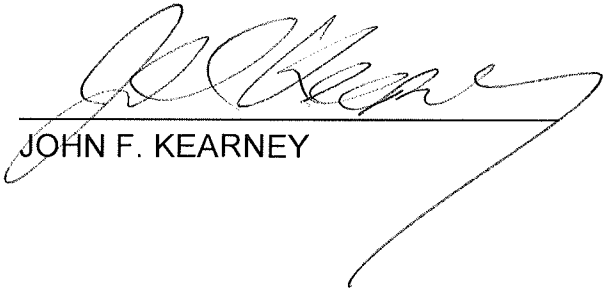
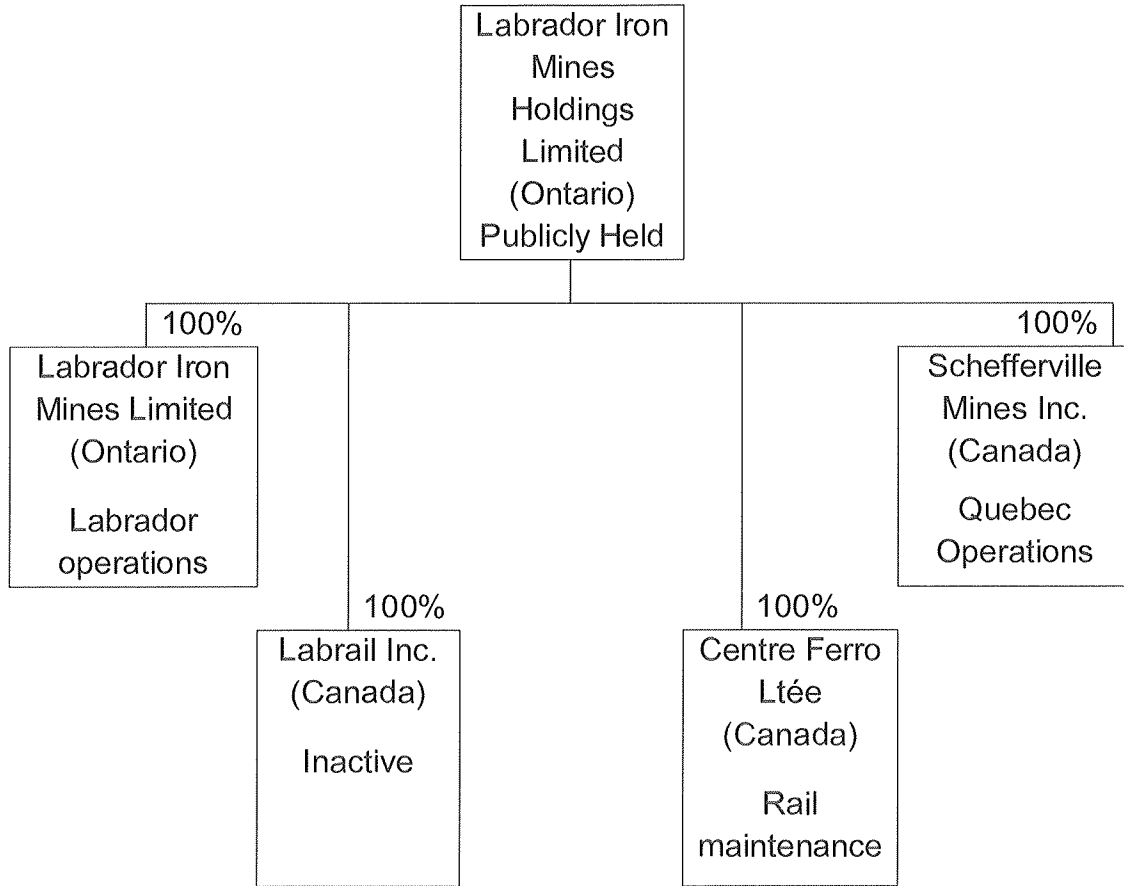
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JOHN F. KEARNEY

EXHIBIT A


Organization Chart of the Labrador Iron Mines Holdings Group of Companies

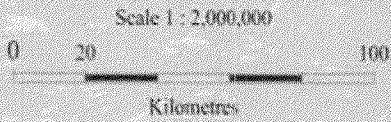
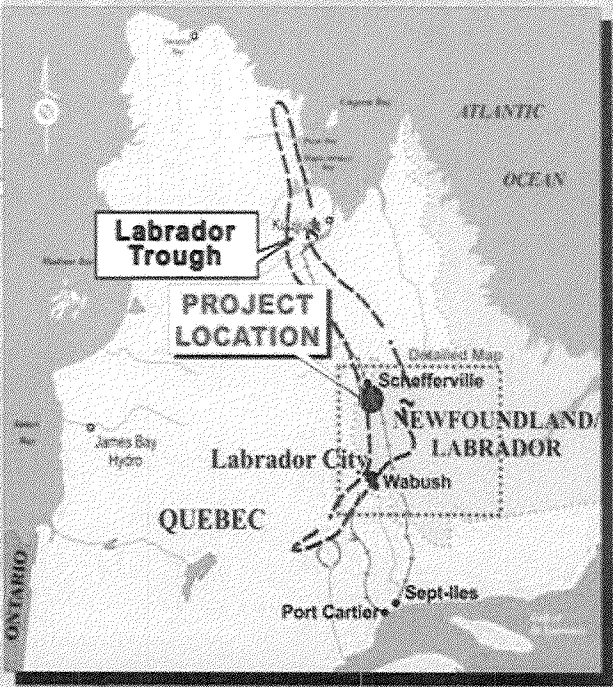
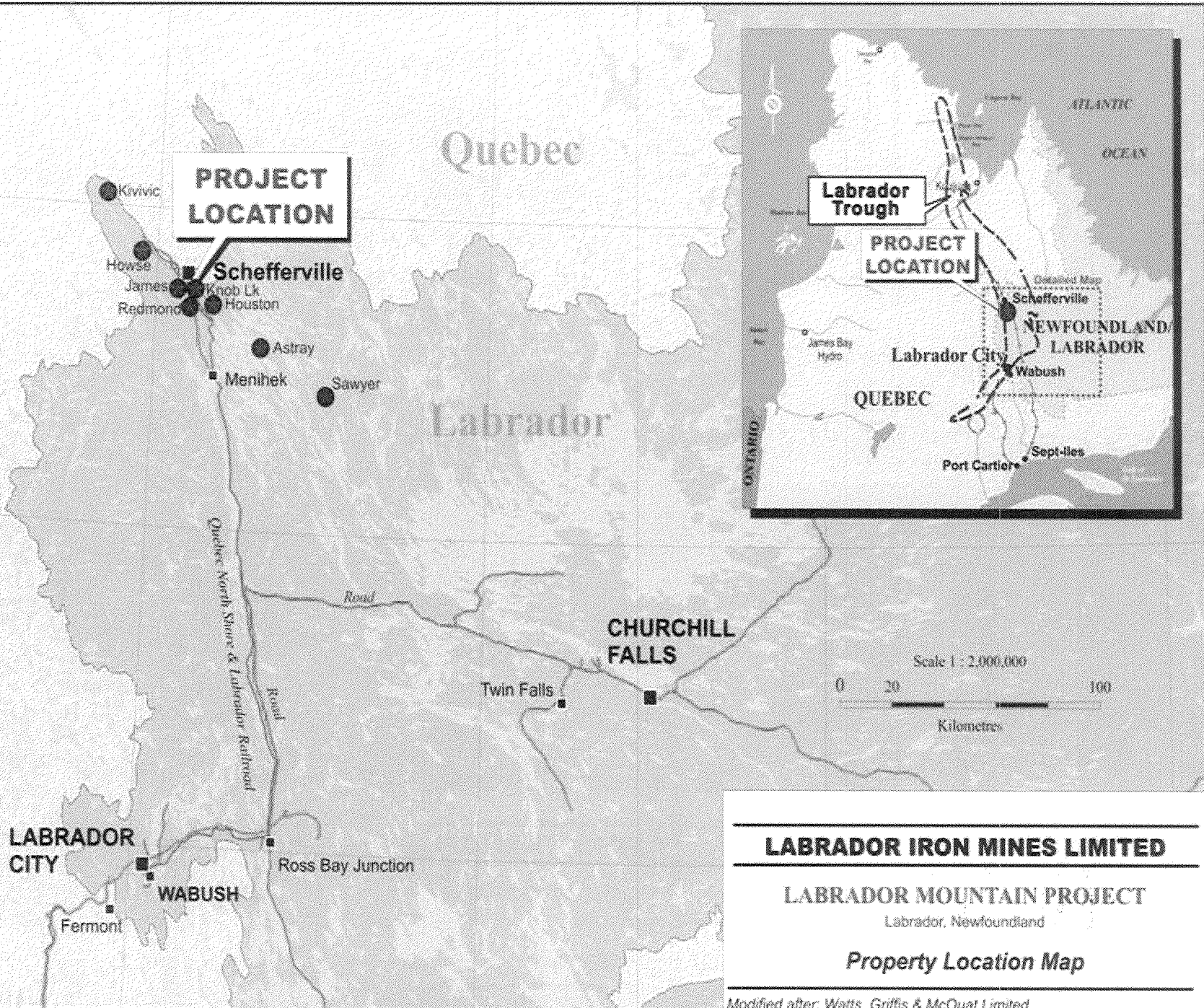
The Applicants carry on its business through several related corporations incorporated under the laws of Ontario or Canada as follows:



This is Exhibit A to the
Affidavit of John F. Kearney

Sworn before me this
31st day of March, 2015


A Commissioner etc.



LABRADOR IRON MINES LIMITED

LABRADOR MOUNTAIN PROJECT
Labrador, Newfoundland

Property Location Map

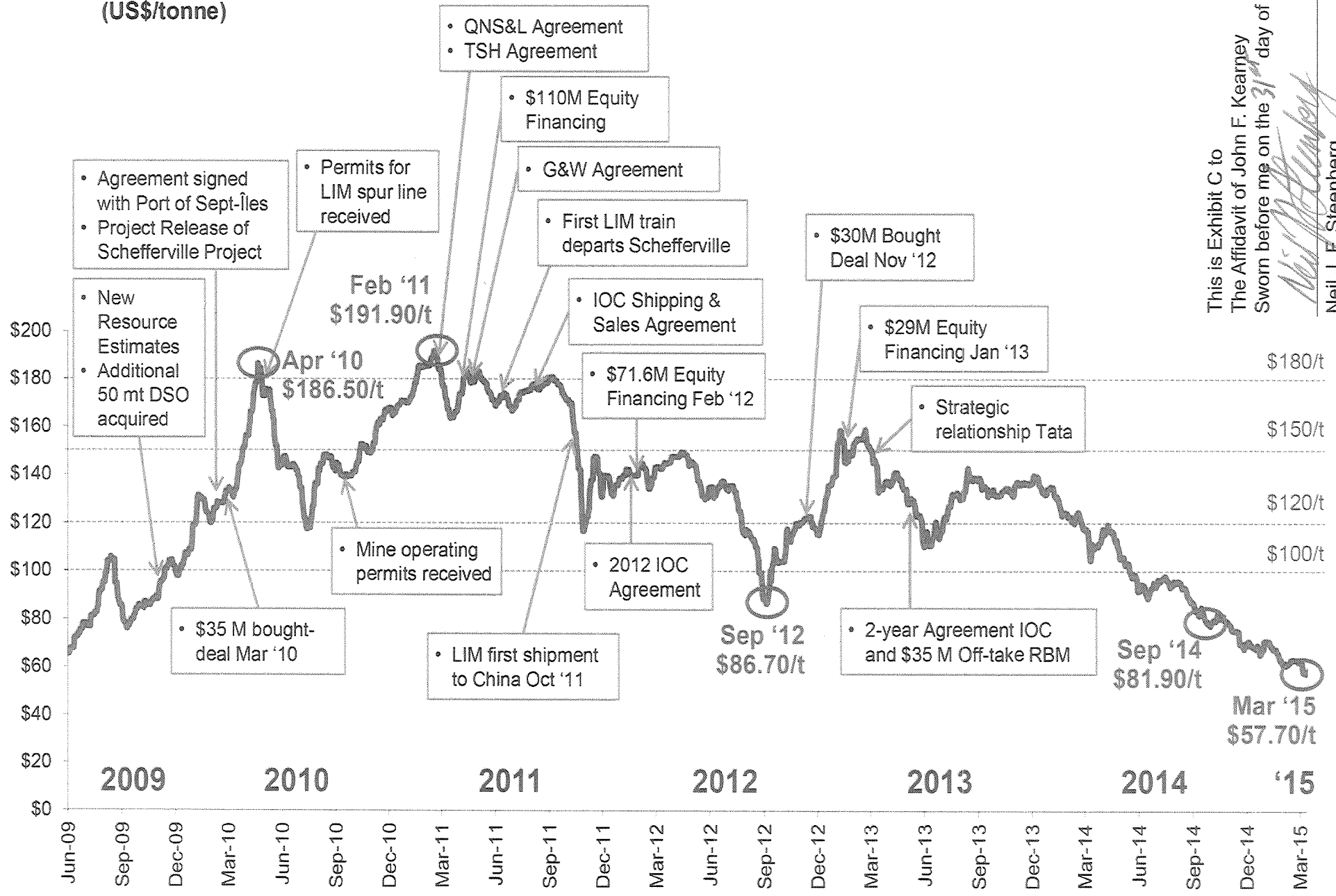
Modified after: Watts, Griffin & McQuat Limited

This is Exhibit B to
 The Affidavit of John F. Kearney
 Sworn before me on the 31st day of March, 2015

Neil J. F. Steenberg
 Neil J. F. Steenberg
 A Commissioner etc.

53

Iron Ore Spot Price – 62% Fe CFR China TSI (US\$/tonne)



This is Exhibit C to
 The Affidavit of John F. Kearney
 Sworn before me on the 31st day of March, 2015

Neil J. F. Steenberg
 Neil J. F. Steenberg
 A Commissioner etc.

This is **Exhibit "D"** referred to in
the Affidavit of John F. Kearney sworn
before me this 31st day of March , 2015


A Commissioner for Taking Affidavits



Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Consolidated Financial Statements

For the Years Ended March 31, 2014 and 2013

(Expressed in Canadian dollars)

700-220 Bay Street, Toronto, Ontario, M5J 2W4 Tel: (647) 728-4125 Fax: (416) 368-5344
Email: info@labradorironmines.ca Website: www.labradorironmines.ca

LABRADOR IRON MINES HOLDINGS LIMITED
Consolidated Financial Statements
For the Years Ended March 31, 2014 and 2013

INDEX	PAGE
Independent Auditor's Report	3
Consolidated Statements of Financial Position	4
Consolidated Statements of Operations and Comprehensive Loss	5
Consolidated Statements of Cash Flows	6
Consolidated Statements of Changes in Equity	7
Notes to the Consolidated Financial Statements	8-36

McGovern, Hurley, Cunningham, LLP

Chartered Accountants

2005 Sheppard Avenue East, Suite 300
 Toronto, Ontario
 M2J 5B4, Canada
 Phone 416-496-1234
 Fax 416-496-0125
 Web www.mhc-ca.com

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, 2014 and 2013, and the consolidated statements of operations and comprehensive loss, 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, 2014 and 2013, 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 the Company had continued to incur losses during the year ended March 31, 2014, and had a cumulative deficit and a working capital deficiency as at March 31, 2014. The Company has a significant need for financing for operations and working capital. 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 Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants
 Licensed Public Accountants

TORONTO, Canada
 June 27, 2014

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

	March 31, 2014	March 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,477,622	\$ 16,226,574
Restricted cash (Note 5)	2,847,958	-
Tax credits receivable (Note 24)	-	1,331,000
Accounts receivable and prepaid expenses (Notes 11,17 and 24)	4,077,383	12,626,161
Inventories (Note 6)	2,109,158	11,040,648
Total current assets	16,512,121	41,224,383
Non current assets		
Restricted cash (Note 5)	4,199,517	7,654,334
Long-term prepaid expenses, advances and deferred expenses (Note 16)	20,576,625	32,699,891
Mineral property interests (Notes 7 and 22)	82,738,091	105,897,392
Property, plant and equipment (Note 8)	100,541,203	108,883,367
Total non-current assets	208,055,436	255,134,984
Total assets	\$ 224,567,557	\$ 296,359,367
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 11 and 18)	\$ 21,354,199	\$ 27,267,638
Finance lease obligation (Note 14)	954,608	855,599
Rehabilitation provision (Note 15)	736,422	514,853
Rail construction advance (Note 21(c))	2,000,000	-
Other liabilities (Note 19)	129,283	165,929
Total current liabilities	25,174,512	28,804,019
Non current liabilities		
Long-term payables (Note 25)	14,727,240	-
Finance lease obligation (Note 14)	1,351,429	2,306,037
Rehabilitation provision (Note 15)	3,199,104	2,456,616
Deferred revenue (Note 21(a))	22,129,066	-
Total liabilities	66,581,351	33,566,672
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	393,524,694	393,500,526
Reserves (Note 10)	13,426,543	16,251,652
Deficit	(248,965,031)	(146,959,483)
Total shareholders' equity	157,986,206	262,792,695
Total liabilities and shareholders' equity	\$ 224,567,557	\$ 296,359,367

Going concern (Note 1)

Commitments and contingencies (Notes 7, 13, 14, and 15)

The financial statements were approved by the Board of Directors on June 27, 2014, and signed on its behalf by:

Signed "John F. Kearney"
Director

Signed "Gerald J. Gauthier"
Director

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

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

	For the year ended March 31, 2014	For the year ended March 31, 2013
Revenue, net (Note 20)	\$ 85,858,494	\$ 95,706,702
Operating expenses		
Mining	(26,896,542)	(29,607,507)
Processing	(36,542,280)	(16,461,942)
Site and camp operations	(18,561,936)	(13,990,766)
Rail and transportation	(57,142,585)	(60,850,681)
Royalties, social development and training	(4,045,064)	(3,926,234)
Depletion and depreciation	(33,598,148)	(29,657,975)
Loss before the undernoted	(90,928,061)	(58,788,403)
Corporate and administrative costs	\$ (8,562,878)	\$ (8,153,952)
Finance lease costs (Note 14)	(305,498)	(332,801)
Accretion (Note 15)	(52,720)	(38,229)
Foreign exchange loss	(1,715,626)	(400,436)
Put option contracts (Note 21(b))	(3,569,803)	-
Share-based payments (Note 10)	(384,266)	(2,531,033)
Gain on sale of mineral property interest (Note 22)	9,591,104	-
Write-downs (Note 24)	(9,475,438)	(61,223,471)
Interest earned	186,143	393,263
Loss before income taxes	(105,217,042)	(131,075,062)
Deferred income tax recovery (Note 27)	-	1,400,000
Net loss and comprehensive loss for the year	\$(105,217,042)	\$(129,675,062)
Net loss per share		
Basic	\$ (0.83)	\$ (1.56)
Diluted	\$ (0.83)	\$ (1.56)
Weighted average number of shares outstanding		
Basic	126,215,970	83,384,225
Diluted	126,215,970	83,384,225

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, 2014	Year ended March 31, 2013
Cash provided by (used in) operating activities		
Net (loss) for the year	\$ (105,217,042)	\$ (129,675,062)
Items not involving cash		
Share-based payments	384,266	2,531,033
Depletion and depreciation	34,288,243	29,981,781
Accretion on rehabilitation provision	52,720	38,229
Interest on finance lease obligation	305,498	332,801
Accrued interest	(65,185)	(100,117)
Unrealized foreign exchange loss (gain)	1,457,275	(16,500)
Deferred income tax recovery	-	(1,400,000)
Reduction of prepaid expense	5,873,266	3,658,109
Loss on put option contracts	3,569,803	-
Gain on sale of mineral property interest	(9,591,104)	-
Write-downs	9,475,438	61,223,471
Changes in working capital	22,387,934	(8,083,421)
Cash (used in) operating activities	<u>(37,078,888)</u>	<u>(41,509,676)</u>
Cash provided by (used in) investing activities		
Proceeds on sale of mineral property interest (Note 22)	30,000,000	-
Allocation to restricted cash (Notes 5 and 22)	(2,847,958)	-
Long-term infrastructure advances	-	(17,145,500)
Increase in mineral property interests	(6,439,808)	(14,074,439)
Increase in property, plant and equipment	(13,851,566)	(39,904,189)
Decrease in restricted cash	3,520,002	1,393,271
Cash provided by (used in) investing activities	<u>10,380,670</u>	<u>(69,730,857)</u>
Cash provided by (used in) financing activities		
Advance payment proceeds (Note 21(a))	35,858,738	-
(Repayment) of advance payment	(15,121,456)	-
Purchase of put options contracts (Note 21(b))	(3,569,803)	-
Proceeds from rail construction advance	2,000,000	-
Exercise of deferred share units	(10,358)	-
Exercise of stock options	-	860,000
Exercise of warrants	-	837,500
Proceeds from shares issued for cash	-	58,980,000
Share issue costs	-	(3,640,722)
Repayment of finance lease obligation	(1,207,855)	(633,790)
Cash provided by financing activities	<u>17,949,266</u>	<u>56,402,988</u>
Change in cash and cash equivalents	<u>(8,748,952)</u>	<u>(54,837,545)</u>
Cash and cash equivalents, beginning of year	16,226,574	71,064,119
Cash and cash equivalents, end of year	<u>\$ 7,477,622</u>	<u>\$ 16,226,574</u>
Cash and cash equivalents consist of:		
Cash	\$ 112,432	\$ 548,785
Cash equivalents	7,365,190	15,677,789
	<u>\$ 7,477,622</u>	<u>\$ 16,226,574</u>
Supplemental disclosure of cash flow information		
Change in accrued non-current assets	\$ 5,208,111	\$ (13,516,722)
Change in accrued current assets	(1,385,525)	(18,943,764)
Rehabilitation provision charged to mineral property interests	911,336	141,850
Property, plant and equipment additions under finance lease	-	2,228,093
Depreciation included in corporate and administrative costs	689,794	323,805

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)

	Reserves							
	Share Capital		Warrants		Stock Options		Deficit	Shareholders' Equity
	Number	Amount	Number	Amount	Number	Amount	Amount	Total
Balance, March 31, 2012	67,333,307	\$ 341,511,257	1,140,855	\$ 3,427,050	2,118,438	\$ 8,750,189	\$(20,598,038)	\$ 333,090,458
Exercise of options	430,000	860,000	-	-	(430,000)	-	-	860,000
Exercise of options – valuation allocation	-	356,898	-	-	-	(356,898)	-	-
Exercise of warrants	837,500	837,500	(837,500)	-	-	-	-	837,500
Exercise of warrants – valuation allocation	-	276,375	-	(276,375)	-	-	-	-
Public offerings, net of transaction costs	57,600,000	49,658,496	16,680,000	5,656,200	-	-	-	55,314,696
Options granted	-	-	-	-	878,125	-	-	-
Expiry of warrants	-	-	(478,355)	(2,254,425)	-	-	2,254,425	-
Expiry of vested options	-	-	-	-	(785,938)	(1,059,192)	1,059,192	-
Forfeiture of unvested options	-	-	-	-	(63,750)	(51,683)	-	(51,683)
Share-based payments	-	-	-	-	-	2,416,786	-	2,416,786
Loss for the year	-	-	-	-	-	-	(129,675,062)	(129,675,062)
Balance, March 31, 2013	126,200,807	\$ 393,500,526	16,505,000	\$ 6,552,450	1,716,875	\$ 9,699,202	\$(146,959,483)	\$ 262,792,695
Exercise of deferred share units	122,316	24,168	-	-	-	-	-	24,168
Expiry of warrants	-	-	(662,500)	(1,172,625)	-	-	1,172,625	-
Expiry of vested options	-	-	-	-	(441,172)	(2,038,869)	2,038,869	-
Forfeiture of unvested options	-	-	-	-	(46,328)	(35,024)	-	(35,024)
Share-based payments	-	-	-	-	-	421,409	-	421,409
Loss for the year	-	-	-	-	-	-	(105,217,042)	(105,217,042)
Balance, March 31, 2014	126,323,123	\$ 393,524,694	15,842,500	\$ 5,379,825	1,229,375	\$ 8,046,718	\$(248,965,031)	\$ 157,986,206

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

62

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

Labrador Iron Mines Holdings Limited (the "Company") is a mineral resource company engaged in the 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"). The Company's mining operations are typically carried out on a seasonal basis, from approximately the beginning of April until approximately the end of November, with a planned winter shutdown from approximately December to approximately March each year. For the fiscal year beginning April 1, 2014, the Company intends to focus on the development of its Houston Project instead of recommencing mining operations at its Stage 1 properties.

The Company's head office is located at 220 Bay Street, Suite 700, Toronto, Ontario, M5J 2W4.

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurance that current exploration, development and mining plans will result in profitable mining operations. The recoverability of the carrying value of assets and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable resources, the achievement of profitable operations or the ability of the Company to raise additional financing, or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values of the Company's assets, in particular its mineral property interests.

During the year ended March 31, 2014, the Company had a net loss of \$105,217,042 negative cash flows from operations of \$37,078,888 and an ending working capital deficit of \$8,662,391.

Notwithstanding the above risks, financial results, and ending working capital deficit for the year ended March 31, 2014, subject to the Company completing certain financings currently under negotiation and successfully renegotiating the commercial terms of certain major contracts, the Company believes it will have sufficient working capital to operate over the next 12 months. The Company believes that the required financing can be raised and in conjunction with major stakeholders is therefore currently considering various financing opportunities and is engaged in discussions and negotiations of draft term sheets with certain commodity traders, financial institutions and others regarding proposals available for financing. While these negotiations are ongoing, it cannot be guaranteed that such financing will be available on a timely basis or on acceptable terms at all. The Company has reasonable expectations that these financing negotiations will be successful and accordingly, the consolidated financial statements for the year ended March 31, 2014 have been prepared on a going concern basis, using the historical cost convention.

The Company has a significant need to secure additional financial arrangements in order to fund its current working capital deficit, its continuing operations, planned development programs and corporate administration costs so as to continue as a going concern. There are no assurances that the Company will be successful in obtaining any required financing, or in obtaining financing on a timely basis or on reasonable or acceptable terms. The Company will also need to negotiate amendments in the commercial terms of certain of its major contracts to suspend or defer commitments that would otherwise come due in 2014. There are no assurances that the Company will be successful in negotiating such commercial terms, or in obtaining such suspension or deferral on a timely basis or on reasonable or acceptable terms or at all. If the Company is unable to obtain adequate additional financing or adequate commercial relief on certain major contracts, the Company would be required to curtail its operations and its development activities.

The ability to obtain adequate financing in the short term for working capital, continuing operations and corporate administration costs, and in the longer term for planned development programs, in particular the development of the Houston project, creates a material uncertainty about the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying values of the assets and liabilities, reported revenues and expenses, and statement of financial position classifications. Such adjustments could be material.

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, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory and environmental requirements.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
 (Expressed in Canadian dollars)

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 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. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. Significant accounting judgments, estimates and assumptions

The preparation of 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

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 after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral property interests.

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. At March 31, 2014, the Company completed an impairment assessment of its mineral property interests based on a combination of factors including net present value and arms-length transaction value methodology. Refer to Note 7.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

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.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

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

Deferral of stripping and dewatering costs

In determining whether stripping and dewatering costs incurred during the production phase of a mining property relate to mineral resources that will be mined in a future period and therefore should be capitalized, the Company determines whether it is probable that future economic benefit associated with the stripping activity will flow to the Company.

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.

Inventory valuation

Saleable product and ore at site are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of inventories include estimates of the ore, estimates of the iron contained in the ore, assumptions of the amount of iron ore that is expected to be saleable and assumption of the iron price expected to be realized when the inventories are sold. If these estimates or assumptions prove to be inaccurate, the Company could be required to writedown the recorded value of its inventories.

Commencement of commercial production

During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as property, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Company defines commencement of commercial production as the date that a mine has achieved a sustainable level of production that provides a basis for a reasonable expectation of profitability along with various qualitative factors including but not limited to the achievement of mechanical completion, whether production levels are sufficient to be at least capable of

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

3. Significant accounting judgments, estimates and assumptions (continued)

Commencement of commercial production (continued)

generating sustainable positive cash flow, the working effectiveness of the site processing plant, whether marketing arrangements for the product are in place, whether the product is of sufficient quantity to be sold, whether there is a sustainable level of production input available including power, water, diesel, etc. and whether the necessary permits are in place to allow continuous operations. The consolidated financial statements of the Company are prepared on the basis that the Company's producing mine entered commercial production for accounting purposes effective April 1, 2012.

Contingencies

Refer to Note 13.

Going concern

Refer to Note 1.

4. Significant accounting policies

Basis of consolidation

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

Subsidiaries

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

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. Exchange differences on foreign currency borrowings relating to assets under construction for future productive use are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Flow-through shares

The Company finances a portion of its project exploration and development expenditures through the issuance of flow-through shares.

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The fair value of the common shares issued is added to share capital with any excess of proceeds over the market value of the common shares being recorded as a liability called flow-through share premium. At the time of renunciation by the Company, the flow-through share premium is expensed through deferred income tax recovery.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
 (Expressed in Canadian dollars)

4. Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in operations in the period in which they are incurred.

As at March 31, 2014 and March 31, 2013, this policy is only applicable to the finance lease obligation.

Interest revenue

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue 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.

Share-based payments

The Company follows the fair value method of accounting for the stock option awards granted to employees, directors and consultants. The fair value of stock options is determined 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 is 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.

Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in operations, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

4. Significant accounting policies (continued)

Exploration and evaluation assets

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

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

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 losses.

At March 31, 2014, all of the Company's properties other than those in Stage 1 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 losses.

At March 31, 2014, Stage 1 of the Schefferville Projects, primarily consisting of the Company's James Mine, is classified as a producing mine.

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.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

4. Significant accounting policies (continued)

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.

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.

Deferred stripping and dewatering costs

Stripping and dewatering costs incurred in the development of a mine before production commences are capitalized as part of mineral property interests and subsequently amortized over the life of the mine on a units-of-production basis. Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping and dewatering costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping and dewatering costs. In such cases, the initial stripping (i.e. overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

Stripping and dewatering costs incurred subsequently during the production stage of a mine in operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping and dewatering costs over the life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of the mine strip ratio. Such deferred costs are then charged to the consolidated statement of

Deferred stripping and dewatering costs (continued)

operations and comprehensive loss to the extent that, in subsequent periods, the current period ratio falls short of the life of mine (or pit) ratio. The life of mine (or pit) ratio is based on economically recoverable resources of the mine (or pit). Changes are accounted for prospectively, from the date of the change.

Deferred stripping and dewatering costs are included as part of mineral property interests or producing mines as applicable. These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

4. Significant accounting policies (continued)

Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation expenditure, 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 cash generating units ("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 or license 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 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, accounts receivable, restricted cash and advances. The Company does not have any derivative instruments.

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.

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.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

4. Significant accounting policies (continued)

Advances

Advances and receivables 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.

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, finance lease obligation, rail construction advance, other liabilities and long-term payables. The Company does not have any derivative instruments at March 31, 2014 and 2013.

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.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

4. Significant accounting policies (continued)

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.

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.

Inventories

Stockpiled ore is physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product.

Cost is determined by the weighted average method and comprises direct costs and an appropriate portion of fixed and variable overhead costs, including depletion, depreciation and amortization, incurred in converting run of mine ore into saleable ore.

Materials and supplies are valued at the lower of cost or net realizable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

4. Significant accounting policies (continued)

Provisions

General

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

Rehabilitation provisions

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

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

Onerous contracts

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

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. The Company anticipates that all of these criteria will typically be met with respect to a shipment of the Company's iron ore when the vessel carrying the iron ore has departed the Port of Sept-Iles.

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 (decrease) earnings (loss) per share. As a result, all outstanding convertible securities during the years ended March 31, 2014 and March 31, 2013 have been excluded from diluted loss per share.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
 (Expressed in Canadian dollars)

4. Significant accounting policies (continued)

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 it relates 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.

New standards and interpretations adopted

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 *Consolidated and Separate Financial Statements*. There was no impact on the Company's consolidated financial statements upon adoption of this standard on April 1, 2013.

IFRS 11 *Joint Arrangements* ("IFRS 11") replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 *Investments in Associates* and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening deficit at the beginning of the earliest period presented. There was no impact on the Company's consolidated financial statements upon adoption of this standard on April 1, 2013.

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12") requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. This IFRS enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance. There was no impact on the Company's consolidated financial statements upon adoption of this standard on April 1, 2013.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

4. Significant accounting policies (continued)

New standards and interpretations adopted (continued)

IFRS 13 *Fair Value Measurement* converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. There was no impact on the Company's consolidated financial statements upon adoption of this standard on April 1, 2013.

IAS 1 Presentation of Financial Statements ("IAS 1") was amended in June 2011. The amendments are effective for annual periods beginning on or after July 1, 2012. The amendments to IAS 1 require companies preparing financial statements in accordance with IFRS to group together items within other comprehensive income ("OCI") that may be reclassified to the profit or loss section of the consolidated statement of operations and comprehensive loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. There was no impact on the Company's consolidated financial statements upon implementation of this standard on April 1, 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20") was issued in October 2011 and is effective for annual periods beginning on or after January 1, 2013. IFRIC 20 was issued to address the accounting for costs associated with waste removal in surface mining ("stripping costs"). The interpretation clarifies when production stripping should lead to the recognition of an asset and how the asset should be measured, both initially and in subsequent periods. The adoption of IFRIC 20 resulted in the capitalization of \$14,180,563 (March 31, 2013 - \$14,276,105) of stripping costs in the year ended March 31, 2014 which have been expensed under the Company's previous accounting policy. As at March 31, 2014, \$14,180,563 (March 31, 2013 - \$14,276,105) of these capitalized stripping costs were depleted from mineral property interests and included in mining costs in the statement of operations and comprehensive loss. There were no net historical adjustments required as a result of the adoption of IFRIC 20.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 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.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 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. Earlier adoption is permitted.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

4. Significant accounting policies (continued)

IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

5. Restricted Cash

Current restricted cash consists of cash held in a third party escrow account. Non-current restricted cash consists of guaranteed investment certificates and term deposits assigned by the Company to its bank as security for letters of credit issued for rehabilitation obligations and certain commercial contracts.

As part of the closing of the sale of a majority interest in the Howse property, \$5,000,000 was contributed to the operator for the exploration of the Howse Property and \$1,500,000 was earmarked for Phase 1 modification and upgrading to the Silver Yards rail siding.

	March 31, 2014	March 31, 2013
	\$	\$
Restricted cash from Howse Property transaction	2,847,958	-
Total – current	<u>2,847,958</u>	<u>-</u>
Security for letters of credit for rehabilitation obligations	4,199,517	2,996,267
Security for letters of credit for commercial contracts	-	4,658,067
Total – non-current	<u>4,199,517</u>	<u>7,654,334</u>

6. Inventories

	March 31, 2014	March 31, 2013
	\$	\$
Ore at site	1,859,158	3,628,136
Saleable product	-	7,412,512
Consumables	250,000	-
Total	<u>2,109,158</u>	<u>11,040,648</u>

Ore at site consists of (i) run of mine ore at site, carried at cost and (ii) treated ore at site (or in transit to port), carried at cost. Saleable product consists of iron ore at port, carried at cost. Consumables consists of fuel for various activities at site.

7. Mineral Property Interests

The Company holds 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.

In September 2013, the Company entered into an agreement with Tata Steel Minerals Canada Ltd. (“TSMC”) for the exploration and development of LIM’s Stage 3 Howse Deposit. Under the terms of the agreement, Howse Minerals Limited (“HML”), a wholly owned subsidiary of TSMC, acquired an initial 51% participating interest in the Howse Property for a total cash consideration of \$30 million. As part of the agreement, LIM has agreed to conduct a \$5 million exploration program on the Howse Property. Following completion of LIM’s \$5 million exploration program and the calculation of a new NI 43-101 resource, HML shall contribute an additional \$23.5 million and thereby increase its participating interest in the Howse Deposit to 70%, with LIM holding 30%. As at March 31, 2014, \$2,902,042 has been expended as part of the exploration program.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

7. Mineral Property Interests (continued)

All of the iron ore properties located in Labrador are held subject to a royalty in the amount of 3% of the selling price (Free On Board ("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 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. Seventeen mining claims in Quebec are subject to a royalty of \$2.00 per tonne. An advance royalty payment of \$2.0 million was paid which will be credited against future royalties payable on seventeen of the mining rights in Quebec.

The Company, through its wholly-owned subsidiary Schefferville Mines Inc. ("SMI"), holds an exclusive operating license in certain mining claims in Quebec subject to the payment of a royalty of \$2.00 per tonne of iron ore shipped from the licensed properties. The Company has agreed to assume certain existing liabilities related to the licensed properties. The licensed properties are subject to pre-existing litigation by a third party against the licensor of the properties claiming breach of contract and seeking performance of an alleged agreement concerning the licensed properties and unspecified damages. The Company considers such litigation to be without merit.

At March 31, 2014, the Company wrote down the carrying value of certain of its mineral property interests based on an assessment using current economic conditions and iron ore deposits.

The reclamation balance included within mineral property interests represents amounts initially recorded to correspond with the rehabilitation provisions. This asset amount is being amortized over the estimated useful life of the asset to which it relates.

The Company's mineral property assets are as follows:

Cost at:	Producing mine	Mineral property interests	Reclamation balance	Total
March 31, 2012	\$ -	\$ 170,961,864	\$ 2,973,879	\$ 173,935,743
Additions	2,909,584	7,750,618	-	10,660,202
Transfers from mineral properties	85,956,478	(85,956,478)	-	-
Revaluation	-	-	(141,580)	(141,580)
Write-downs	(58,091,130)	-	-	(58,091,130)
March 31, 2013	30,774,932	92,756,004	2,832,299	126,363,235
Additions	2,852,537	6,243,626	911,336	10,007,499
Transfers from mineral properties	(3,319,501)	3,319,501	-	-
Disposal of interest in Howse Property	-	(20,408,896)	-	(20,408,896)
Write-downs	(5,170,905)	-	(293,300)	(5,464,205)
March 31, 2014	25,137,063	81,910,235	3,450,335	110,497,633
Accumulated depletion and depreciation				
March 31, 2012	\$ -	\$ -	\$ -	\$ -
Depletion	(19,736,693)	-	-	(19,736,693)
Depreciation	-	-	(729,150)	(729,150)
March 31, 2013	(19,736,693)	-	(729,150)	(20,465,843)
Depletion	(5,400,370)	-	-	(5,400,370)
Depreciation	-	-	(1,893,329)	(1,893,329)
March 31, 2014	(25,137,063)	-	(2,622,479)	(27,759,542)
Net book value at:				
March 31, 2012	\$ -	\$ 170,961,864	\$ 2,973,879	\$ 173,935,743
March 31, 2013	\$11,038,239	\$ 92,756,004	\$ 2,103,149	\$ 105,897,392
March 31, 2014	\$ -	\$ 81,910,235	\$ 827,856	\$ 82,738,091

Stage 1 of the Schefferville Projects, primarily consisting of the Company's James Mine, is classified as a producing mine. All of the Company's properties other than those in Stage 1 are categorized as mineral property interests. As at December 31, 2013, the Company completed an assessment of producing mines and determined that the cost of the Redmond Mine was to be transferred to mineral property interests as it no longer met the criteria for mines in commercial production.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

8. Property, Plant and Equipment

Cost at:	Buildings and mine camp	Office equipment	Transportation infrastructure and equipment	Beneficiation plant and equipment	Total
March 31, 2012	\$ 5,932,823	\$ 554,966	\$ 29,102,851	\$ 50,546,210	\$ 86,136,850
Additions	4,441,337	607,794	3,433,515	23,537,085	32,019,731
March 31, 2013	10,374,160	1,162,760	32,536,366	74,083,295	118,156,581
Additions	645,840	22,114	3,227,792	12,507,575	16,403,321
March 31, 2014	11,020,000	1,184,874	35,764,158	86,590,870	134,559,902
Accumulated Depreciation at:					
March 31, 2012	1,206,536	177,670	1,957,082	329,944	3,671,232
Depreciation for the year	1,555,381	256,517	3,031,981	758,103	5,601,982
March 31, 2013	2,761,917	434,187	4,989,063	1,088,047	9,273,214
Depreciation for the year	1,844,277	223,300	3,784,602	18,893,306	24,745,485
March 31, 2014	4,606,194	657,487	8,773,665	19,981,353	34,018,699
Net Book Value at:					
March 31, 2013	7,612,243	728,573	27,547,303	72,995,248	108,883,367
March 31, 2014	\$ 6,413,806	\$ 527,387	\$ 26,990,493	\$ 66,609,517	\$ 100,541,203

Property, plant and equipment at March 31, 2014 includes a balance with a total cost of \$9,665,622 consisting primarily of railcars and development work on mineral properties which have not been depreciated pending the assets and mineral properties being ready for use (March 31, 2013 - \$38,870,750).

Buildings and mine camp at March 31, 2014 include an asset under finance lease with a carrying value of \$2,280,013 (March 31, 2013 - \$3,190,167).

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

9. Share Capital

Authorized

Unlimited common shares, no par value

Issued	Shares #	Amount \$
Balance March 31, 2012	67,333,307	341,511,257
Exercise of options	430,000	860,000
Exercise of options - valuation allocation	-	356,898
Exercise of broker warrants	837,500	837,500
Exercise of broker warrants – valuation allocation	-	276,375
Common shares issued at \$1.00 per share	30,000,000	30,000,000
Common shares issued at \$1.05 per unit	27,600,000	28,980,000
Share purchase warrants	-	(4,623,000)
Share issue costs	-	(3,665,304)
Broker warrants – valuation allocation	-	(1,033,200)
Balance March 31, 2013	126,200,807	393,500,526
Exercise of deferred share units	122,316	24,168
Balance March 31, 2014	126,323,123	393,524,694

On February 13, 2013 the Company issued 27,600,000 units at an issue price of \$1.05 per unit pursuant to a short form prospectus for gross proceeds of \$28,980,000. Each unit consists of one common share of the Company and one-half of a common share purchase warrant. Each warrant entitles the holder to acquire one common share of the company at a price of \$1.35 at anytime until February 12, 2016.

10. Reserves

(a) Stock options

The Company operates a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options cannot exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the Board of Directors at no lesser than the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

A summary of the Company's options at March 31, 2014 and March 31, 2013 and the changes for the years then ended is presented below:

	Year ended March 31, 2014		Year ended March 31, 2013	
	Number of Options:	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,716,875	\$ 5.17	2,118,438	\$ 4.56
Granted	-	-	878,125	3.00
Exercised	-	-	(430,000)	2.00
Expired	(441,172)	6.41	(751,251)	2.70
Forfeited	(46,328)	3.69	(98,437)	5.40
Outstanding, end of year	1,229,375	\$ 4.83	1,716,875	\$ 5.17

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

10. Reserves (continued)

(a) Stock options (continued)

The following table sets out details of the stock options outstanding at March 31, 2014:

Options Outstanding			Options Exercisable			Grant Date Fair Value
Number	Weighted Average Exercise Price	Expiry Date	Number	Weighted Average Exercise Price		
200,000	\$ 6.27	14/09/2015	200,000	\$ 6.27		\$ 966,000
20,000	11.65	09/02/2016	20,000	11.65		175,800
12,500	10.18	23/06/2016	12,500	10.18		96,750
100,000	6.80	22/09/2016	100,000	6.80		509,000
40,000	6.81	10/11/2016	40,000	6.81		195,600
200,000	6.35	30/11/2016	200,000	6.35		924,000
20,000	6.20	09/02/2017	20,000	6.20		91,400
636,875	3.00	02/07/2017	557,265	3.00		1,165,481
1,229,375	\$ 4.83		1,149,765	\$ 4.90		\$ 4,124,031

There were no options granted during the year ended March 31, 2014. (March 31, 2013 – 878,125).

The stock-based compensation expense during the year ended March 31, 2014 related to the vesting of options granted has been recorded as \$384,266 (March 31, 2013 - \$2,531,033) on the consolidated statement of operations of comprehensive loss.

Stock options vest as to one-eighth quarterly. The first vesting date is the first day of the first quarter following the date of grant.

The weighted average contractual life remaining for outstanding and exercisable options at March 31, 2014 is 2.7 years and 0.96 years, respectively. (March 31, 2013 – 3.72 years and 1.77 years, respectively).

The total number of common shares that are issuable pursuant to stock options that are exercisable as at March 31, 2014 is 1,149,765 (March 31, 2013 – 1,004,609). The weighted average grant date fair value of stock options issued during the year ended March 31, 2013 is \$1.67. During the year-end March 31, 2013, 878,125 options were granted to employees.

(b) Warrants

A summary of the Company's share purchase warrants at March 31, 2014 and March 31, 2013 and the changes for the years then ended is presented below:

	Year ended March 31, 2014		Year ended March 31, 2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	16,505,000	\$ 1.49	1,140,835	\$ 8.32
Issued	-	-	16,680,000	1.29
Exercised	-	-	(837,500)	1.00
Expired	(662,500)	5.30	(478,335)	12.50
Outstanding, end of year	15,842,500	\$ 1.31	16,505,000	\$ 1.49

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

10. Reserves (continued)

(b) Warrants (continued)

As at March 31, 2014, the Company had 15,842,500 outstanding exercisable warrants (March 31, 2013 – 16,505,000), with a weighted average remaining contractual life of 1.67 years (March 31, 2013 – 2.58 years), as follows:

Warrants Outstanding and Exercisable				
Number	Exercise Price	Expiry Date	Grant Date	Fair Value
662,500	\$ 1.00	06/05/2014		\$ 218,625
1,380,000	\$ 1.05	13/08/2014		538,200
13,800,000	\$ 1.35	12/02/2016		4,623,000
15,842,500				\$ 5,379,825

The 1,380,000 broker warrants expiring on August 13, 2014, have an exercise price of \$1.05 per unit (each, a "Unit"). Each Unit consists of one common share and one half of a common share purchase warrant. Each common share purchase warrant is exercisable into one common share at an exercise price of \$1.35 until February 13, 2016.

(c) Reserves

A summary of the reserves account is presented below:

Balance, March 31, 2012	\$ 12,177,239
Stock options issued	2,416,786
Stock options exercised	(356,898)
Stock options expired	(1,059,192)
Stock options forfeited	(51,683)
Share purchase warrants	4,623,000
Broker warrants issued	1,033,200
Broker warrants exercised	(276,375)
Broker warrants expired	<u>(2,254,425)</u>
Balance, March 31, 2013	16,251,652
Stock options expired	(2,038,869)
Stock options forfeited	(35,024)
Broker warrants expired	(1,172,625)
Stock options vested	<u>421,409</u>
Balance, March 31, 2014	\$ 13,426,543

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

11. Related Party Transactions and Compensation of Key Management Personnel

During the year ended March 31, 2014, the Company recovered \$110,739 (March 31, 2013 - \$120,060) in respect of office rent from corporations with common directors and/or officers. At March 31, 2014, \$48,791 (March 31, 2013 - \$34,366) remained receivable.

During the year ended March 31, 2014, the Company made payments to companies with common directors and/or officers, in respect of management compensation (management costs) provided in the amount of \$548,000 (March 31, 2013 - \$718,300). All of the management compensation in the year ended March 31, 2014 was expensed. At March 31, 2014, \$620,587 (March 31, 2013 - \$76,833) in management compensation remained payable to these related companies.

During the year ended March 31, 2014, the Company incurred legal fees (professional fees and share issue costs) in respect of services provided by a professional corporation controlled by an officer in the amount of \$122,040 (March 31, 2013 - \$310,680). At March 31, 2014, \$36,960 (March 31, 2013 - \$30,800) remained payable to this related party for legal fees.

Compensation of key management personnel of the Company

The remuneration of directors and other key management personnel during the year was as follows:

	Year ended March 31, 2014	Year ended March 31, 2013
Short-term compensation (i)	\$ 1,363,296	\$ 1,613,550
Share-based payments (ii)	391,939	955,969
	<u>\$ 1,755,235</u>	<u>\$ 2,569,519</u>

(i) Short-term compensation includes salaries, bonuses and allowances, employment benefits and directors' fees.

(ii) Share-based payments represent the amount recorded by the Company for vested stock options and DSUs issued during the period to directors and other key management personnel.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key management is determined by the compensation committee, having regard to the performance of individuals and market trends.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

12. Capital Management

The capital of the Company consists of common shares, stock options, share purchase warrants and finance leases. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

The Company manages its cash and cash equivalents, common shares, stock options, and share purchase warrants as capital. 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.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

13. Commitments and Contingencies

- (a) The Company is committed to a minimum amount of rental payments under a long-term operating lease for its head office premises, which expires on August 31, 2019. As at March 31, 2014, minimum rental commitments remaining under this lease are as follows:

Not later than 1 year	\$ 513,000
Later than 1 year, not later than 5 years	2,052,000
Later than 5 years	213,750
	<u>2,778,750</u>
	<u>\$ 2,778,750</u>

The Company expects to recover a portion of these lease commitments from corporations with common directors and officers that are sharing part of the head office premises.

- (b) The Company is committed to future payments under contracts for the supply of locomotives and the use of third party rail and port infrastructure. The rail contracts include provisions for capital contributions by the Company, which will be credited against future tariffs. The rail contracts also include provisions for minimum future haulage volumes and tariffs. The port contract includes a provision for a buy-in payment, which will be credited against future shipping fees. The port contract also includes provisions for minimum future shipping volumes and fees. The Company has also agreed to certain community development and training contributions to various First Nations communities. As at March 31, 2014, minimum commitments relating to rail, port, exploration and First Nations agreements, net of credits of \$30,968,625 against future tariffs and fees, are as follows:

Not later than 1 year	\$ 55,159,450
Later than 1 year, not later than 5 years	91,390,875
Later than 5 years	27,606,625
	<u>174,156,950</u>
	<u>\$ 174,156,950</u>

The Company is currently negotiating amendments in the commercial terms of certain of its major contracts to suspend or defer commitments that would otherwise come due in 2014. There are no assurances that the Company will be successful in negotiating such commercial terms, or in obtaining such suspension or deferral on a timely basis or on reasonable or acceptable terms, or at all.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

13. Commitments and Contingencies (continued)

- (c) 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.
- (d) Refer to Note 14 for finance lease obligation.
- (e) The Company has indemnified the subscribers of flow-through shares against any tax related amounts that may become payable as a result of the Company not making eligible expenditures.

14. Finance Lease Obligation

The Company entered into finance lease agreements for a mine camp and a mine camp expansion during the years ended March 31, 2012 and March 31, 2013 respectively. The Company used an incremental borrowing rate of 11% in determining the value of the finance lease obligation.

	Year ended March 31, 2014	Year ended March 31, 2013
Balance, beginning of year	\$ 3,161,636	\$ 1,668,322
Present value of finance lease on inception	-	2,228,093
Less: payments made during the year	(1,161,097)	(1,067,580)
Add: Interest accretion	305,498	332,801
Balance, end of year	2,306,037	3,161,636
Less: current portion, end of year	(954,608)	(855,599)
Long-term portion, end of year	<u>\$ 1,351,429</u>	<u>\$ 2,306,037</u>

Future minimum lease payments under the finance lease agreement by fiscal year are as follows:

2015	\$ 1,161,000
2016	661,000
2017	561,000
2018	93,500
	<u>\$ 2,476,500</u>

The finance lease has a purchase option for the mine camp exercisable in June 2015 for \$100,000 and has a purchase option for the mine camp extension exercisable in June 2017 for \$100,000.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

15. 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, 2014, the total undiscounted amount of the Company's rehabilitation provision is \$4,132,368 and is expected to be incurred between 2014 and 2031. The present value of the rehabilitation provision has been estimated at \$3,935,526 at March 31, 2014 using a discount rate ranging from 1.07% to 2.5% and a long-term inflation rate of approximately 1.4%.

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

	Year ended March 31, 2014	Year ended March 31, 2013
Balance, beginning of year	\$ 2,971,469	\$ 3,074,820
Present value of obligation on inception	911,337	-
Accretion expense	52,720	38,229
Change in estimates	-	(141,580)
Balance, end of year	<u>\$ 3,935,526</u>	<u>\$ 2,971,469</u>
	Year ended March 31, 2014	Year ended March 31, 2013
Current	\$ 736,422	\$ 514,853
Non-current	3,199,104	2,456,616
Balance, end of year	<u>\$ 3,935,526</u>	<u>\$ 2,971,469</u>

16. Long-term Prepaid Expenses, Advances and Deferred Expenses

Long term prepaid expenses, advances and deferred expenses consist of various prepaid royalties, prepaid tariffs and infrastructure access advances, which in aggregate total \$20,576,625 at March 31, 2014 (March 31, 2013 - \$32,699,891).

17. Accounts Receivable and Prepaid Expenses

	March 31, 2014	March 31, 2013
Accounts receivable	\$ 650,646	\$ 2,224,005
Refundable taxes	1,603,337	2,390,862
Prepaid expenses	1,823,400	8,011,294
	<u>\$ 4,077,383</u>	<u>\$ 12,626,161</u>

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

18. Accounts Payable and Accrued Liabilities

	March 31, 2014	March 31, 2013
Trade payables and accruals	\$ 19,487,384	\$ 21,382,559
Sales taxes and statutory liabilities	1,866,815	5,885,079
	<u>\$ 21,354,199</u>	<u>\$ 27,267,638</u>

19. Other Liabilities

Deferred Share Units

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.

A summary of deferred share units issued is presented below:

	Number	Fair value
Balance, March 31, 2013	259,264	\$ 165,929
Deferred share units issued	992,835	253,870
Deferred share units exercised	(174,737)	(34,526)
Revaluation	-	(255,990)
Balance, March 31, 2014	<u>1,077,362</u>	<u>\$ 129,283</u>

Revaluation represents a mark-to-market adjustment based on the closing value of the Company's shares.

20. Revenue, net

Revenue from mining operations recognized by the Company is calculated based on the actual realized price (i.e. CFR China price plus or minus value-in-use adjustments less sales discounts) of a shipment of iron ore resold in China, less shipping costs and the Iron Ore Company of Canada's ("IOC") participation, which includes product handling, ship loading and sales costs. The Company currently sells all of its iron ore product to IOC at Sept-Iles, which product is resold in China by way of an off-take arrangement with RBRG Trading (UK) Ltd. ("RBR").

21. Deferred Revenue and Other Financial Assets and Liabilities

(a) Advance payment

The Company entered into an arrangement with RB Metalloyd Limited (now RBRG Trading (UK) Limited) RBR, pursuant to which RBR provided an advance payment of US \$35,000,000 against the sale of future iron ore production by the Company. The advance payment is being credited against future sales in equal installments coinciding with the timing of seventeen shipments beginning in August 2013 and ending in December 2014. As at March 31, 2014, \$15,121,456 of the advanced payment has been recognized as revenue with respect to seven shipments, leaving a remaining balance of \$22,129,066. The Company is currently negotiating the refinancing of these arrangements with RBR and expects to refinance and roll over this obligation with RBR for at least twelve months.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

21. Deferred Revenue and Other Financial Assets and Liabilities (continued)

(a) Advance payment

The advance payment is recognized as deferred revenue on the statement of financial position.

	<u>March 31, 2014</u>
Advance payment received	\$ 37,520,522
Recognized as revenue	<u>(15,121,456)</u>
Deferred revenue	<u>\$ 22,129,066</u>

(b) Put option contracts

The Company entered into a limited price protection plan in which the Company purchased put options on a total of 825,000 tonnes of iron ore over the period August to October 2013, exercisable at a CFR China exercise price of US\$105 per tonne. The Company also sold matching put options at a CFR China exercise price of US\$90 per tonne on a total of 825,000 tonnes of iron ore over the same period.

The iron ore put option contracts as of March 31, 2014 expired unexercised.

Cost of put options	\$ 3,569,803
Expiry of options	<u>(3,569,803)</u>
Balance, March 31, 2014	<u><u>\$ -</u></u>

(c) Rail construction advance

As part of a strategic co-operation agreement with TSMC, TSMC advanced \$2,000,000 to the Company in the form of a non-interest bearing loan for the purpose of upgrading and modifying the current rail infrastructure at the Company's Silver Yards site to enable construction of the new extended rail line to connect with TSMC's Timmins area plant near the Howse mine site. TSMC has also agreed to advance a further \$3,000,000 to enable further modification and upgrade work to be carried out during fiscal 2015. The Company has agreed to transfer ownership of a portion of its rail line to a rail operating company for a consideration of \$5,000,000 which will be used by the Company to repay the loan advance.

22. Sale of Mineral Property Interest

In September 2013, the Company completed the sale of a majority interest in the Howse Property to TSMC. See Note 7.

	<u>Year ended</u> <u>March 31, 2014</u>
Proceeds of sale	\$ 30,000,000
Carrying value of mineral interest sold	<u>(20,408,896)</u>
Gain on sale	<u>\$ 9,591,104</u>

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

23. 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, 2014 and March 31, 2013, 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, tax credits receivable, accounts receivable, accounts payable and accrued liabilities and long-term payables on the statement of financial position approximate fair value because of the limited term of the instruments.

Financial risk management

This section provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk and how the Company manages those risks. The Company's objectives and management of risks have not changed significantly during the years ended March 31, 2014 and 2013.

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, accounts receivable and tax credits 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, 2014, 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. Accounts receivable consist of amounts owing from the sale of iron ore and sales tax recoverable from the Government of Canada. 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, 2014, the Company had a working capital deficit of \$8,662,391. Management believes the Company is able to meet its current obligations subject to the Company completing certain financings currently under negotiation. See Note 1.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

23. Financial Instruments (continued)

Financial risk management (continued)

iii) Foreign currency risk

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

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

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

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

iv) Interest rate risk

Included in net loss for the year ended March 31, 2014 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the year ended March 31, 2014 had been 100 basis points higher (lower) then the loss would have been approximately \$160,000 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. If the iron ore price throughout the year ended March 31, 2014 had been \$10 higher (lower) then the revenue would have been approximately \$16,100,000 higher (lower).

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

24. Write-downs

	March 31, 2014	March 31, 2013
Mineral property interests (Note 7)	\$ 5,464,205	\$ 58,091,130
Accounts receivable and prepaid expenses	314,204	3,132,341
Tax credits receivable	1,331,000	-
Inventory	2,366,029	-
	<u>\$ 9,475,438</u>	<u>\$ 61,223,471</u>

The carrying amount of certain mineral property interests were written-down based on an assessment using current economic conditions and iron ore prices. The write-down of accounts receivable and prepaid expenses relates to amounts which have been outstanding for more than one year. The write-down of tax credits receivable relates to refunds of mining expenditures which have been outstanding for more than one year. The write-down of inventory represents a cumulative inventory adjustment relating to iron ore product lost in the normal course due to train unloading, port handling and ship loading.

25. Long-term Payables

Long-term payables consist of payables which have payment terms extending beyond one year, subject to acceleration in the event of default, which in aggregate total \$14,727,240 at March 31, 2014 (March 31, 2013 - \$Nil). As of March 31, 2014, no events of default have taken place.

26. Comparative Amounts

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period. These reclassifications have no material effect on the financial statements.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Consolidated Financial Statements
March 31, 2014 and 2013
(Expressed in Canadian dollars)

27. Income Taxes

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the approximate combined Canadian federal and provincial statutory rate of 27% (2013 - 27%) were as follows:

	2014	2013
	\$	\$
(Loss) before income taxes	105,217,042	131,075,062
Expected income tax recovery based on statutory rate	28,488,000	36,002,000
Adjustment to expected income tax benefit:		
Share based payments	(104,000)	(695,000)
Other	(5,825,000)	(2,595,000)
Change in tax rates	-	160,000
Change in benefit of tax assets not recognized	(22,559,000)	(31,472,000)
Deferred income tax provision (recovery)	-	1,400,000

b) Deferred Income Tax Balances

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	2014	2013
	\$	\$
Non-capital loss	1,903,000	3,377,000
Property, plant and equipment	(1,903,000)	(3,377,000)
Deferred income tax assets (liabilities)	-	-

Unrecognized Deferred Tax Assets

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

	2014	2013
	\$	\$
Non-capital loss carry-forwards	178,370,000	108,736,000
Capital losses	659,000	1,093,000
Share issue costs	8,403,000	12,633,000
Mineral property costs	24,738,000	23,617,000
Reclamation	3,936,000	2,971,000

The tax losses of approximately \$185,399,000 expire from 2027 to 2034. 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.



Labrador Iron Mines Holdings Limited

LABRADOR IRON MINES HOLDINGS LIMITED

Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2014 and 2013

(Unaudited, expressed in Canadian dollars)

The Company's auditors have not reviewed the unaudited condensed interim consolidated financial statements for the three and nine months ended December 31, 2014 and 2013.

700-220 Bay Street, Toronto, Ontario, M5J 2W4 Tel: (647) 728-4125 Fax: (416) 368-5344
Email: info@labradorironmines.ca Website: www.labradorironmines.ca

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

	December 31, 2014 \$	March 31, 2014 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,093,884	7,477,622
Restricted cash (Note 5)	-	2,847,958
Accounts receivable and prepaid expenses (Notes 6, 23 and 24)	1,285,599	4,077,383
Inventories (Notes 7 and 24)	100,000	2,109,158
Total current assets	3,479,483	16,512,121
Non-current assets		
Restricted cash (Note 5)	4,024,993	4,199,517
Long term prepaid expenses, advances and deferred expenses (Notes 8 and 24)	150,000	20,576,625
Mineral property interests (Notes 9 and 24)	1	82,738,091
Property, plant and equipment (Notes 10, 12(b) and 24)	8,215,456	100,541,203
Total non-current assets	12,390,450	208,055,436
Total assets	15,869,933	224,567,557
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 11 and 23)	35,927,060	21,354,199
Deferred revenue (Note 12(a))	23,226,209	-
Rail construction advance (Note 12(b))	5,000,000	2,000,000
Finance lease obligation (Note 13)	782,168	954,608
Rehabilitation provision (Note 14)	760,976	736,422
Other liabilities (Note 15)	32,320	129,283
Total current liabilities	65,728,733	25,174,512
Non-current liabilities		
Long term payables (Note 16)	-	14,727,240
Deferred revenue (Note 12(a))	-	22,129,066
Finance lease obligation (Note 13)	817,800	1,351,429
Rehabilitation provision (Note 14)	3,008,411	3,199,104
Total non-current liabilities	3,826,211	41,406,839
Total liabilities	69,554,944	66,581,351
SHAREHOLDERS' EQUITY		
Share capital (Note 17)	393,524,694	393,524,694
Reserves (Note 18)	12,201,987	13,426,543
Deficit	(459,411,692)	(248,965,031)
Total shareholders' equity	(53,685,011)	157,986,206
Total liabilities and shareholders' equity	15,869,933	224,567,557

Going concern (Note 1)

Commitments and contingencies (Notes 12, 13, and 21)

The financial statements were approved by the Board of Directors on February 11, 2015, and signed on its behalf by:

Signed "John F. Kearney"
Director

Signed "Eric Cunningham"
Director

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

LABRADOR IRON MINES HOLDINGS LIMITED
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Unaudited, expressed in Canadian dollars)

	Three months ended		Nine months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	\$	\$	\$	\$
Revenue, net (Note 22)	-	28,409,197	-	86,600,402
Operating expenses				
Mining	-	(6,030,051)	-	(21,470,281)
Processing	-	(12,223,320)	-	(35,773,225)
Site and property	(803,345)	(5,062,221)	(4,640,693)	(13,139,269)
Rail and transportation	-	(20,309,313)	-	(57,463,390)
Royalties, social development and training	(103,279)	(1,305,914)	(1,448,903)	(3,428,892)
Depletion and depreciation	(1,390)	(11,296,732)	(2,496,149)	(37,641,130)
Loss before the undernoted	(908,014)	(27,818,354)	(8,585,745)	(82,315,785)
Corporate and administrative costs	(1,176,661)	(2,328,820)	(3,571,819)	(6,272,001)
Finance lease expenses (Note 13)	(48,446)	(73,528)	(164,753)	(237,985)
Accretion on rehabilitation provision (Note 14)	(15,924)	(10,802)	(47,520)	(32,255)
Foreign exchange loss	(878,511)	(1,044,143)	(1,309,761)	(1,564,084)
Put option contracts	-	-	-	(3,569,803)
Deferred share unit revaluation (Note 15)	21,548	(58,174)	96,963	(445,554)
Gain on sale of mineral property interests (Note 9)	-	-	-	9,591,104
Impairments (Note 24)	-	-	(198,168,728)	-
Interest earned	20,164	29,946	80,146	107,523
	(2,077,730)	(3,485,521)	(203,085,472)	(2,423,055)
Net loss and comprehensive loss for the period	(2,985,844)	(31,303,875)	(211,671,217)	(84,738,840)
Net loss per share				
Basic	(0.02)	(0.25)	(1.68)	(0.67)
Diluted	(0.02)	(0.25)	(1.68)	(0.67)
Weighted average number of shares outstanding				
Basic	126,323,123	126,200,807	126,323,123	126,200,807
Diluted	126,323,123	126,200,807	126,323,123	126,200,807

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

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

	Three months ended		Nine months ended	
	December 31, 2014 \$	December 31, 2013 \$	December 31, 2014 \$	December 31, 2013 \$
Cash (used in) operating activities				
Net loss for the period	(2,985,844)	(31,303,875)	(211,671,217)	(84,738,840)
Items not involving cash:				
Deferred share unit revaluation	(21,548)	58,174	(96,963)	445,553
Depletion and depreciation	9,324	11,770,260	2,614,596	38,258,372
Accretion on rehabilitation provision	15,924	10,802	47,520	32,256
Interest on finance lease obligation	48,446	73,528	164,753	237,985
Interest (receivable)/payable	(14,448)	6,080	(42,652)	(49,190)
Foreign exchange loss/(gain)	878,511	289,715	1,309,761	(606,159)
Put option contracts	-	-	-	3,569,803
Gain on sale of mineral property interests (Note 9)	-	-	-	(9,591,104)
Impairments (Note 24)	-	-	198,168,728	-
Changes in working capital	364,307	8,063,667	1,483,063	19,085,757
Cash (used in) operating activities	(1,705,328)	(11,031,649)	(8,022,411)	(33,355,567)
Cash provided by investing activities				
Proceeds on sale of mineral property interests (Note 9)	-	-	-	30,000,000
Long term infrastructure advances	-	-	-	(1,000,000)
Transfer (to)/from current restricted cash (Note 5)	1,196,806	1,750,355	2,847,958	(4,749,645)
Additions to mineral property interests	-	(1,137,426)	(902,305)	(8,323,624)
Additions to property, plant and equipment	-	(1,128,424)	(1,653,334)	(14,413,213)
Transfer from non-current restricted cash	163,984	4,554,338	217,176	2,763,330
Cash provided by investing activities	1,360,790	4,038,843	509,495	4,276,848
Cash provided by (used in) financing activities				
(Repayment of)/advances from deferred revenue	-	(8,708,427)	-	22,949,549
Purchase of put option contracts	-	-	-	(3,569,803)
Proceeds from rail construction advance	-	-	3,000,000	2,000,000
Repayment of finance lease obligation	(290,274)	-	(870,822)	(967,582)
Cash provided by (used in) financing activities	(290,274)	(8,708,427)	2,129,178	20,412,164
Changes in cash and cash equivalents	(634,812)	(15,701,233)	(5,383,738)	(8,666,555)
Cash and cash equivalents, beginning of period	2,728,696	23,261,252	7,477,622	16,226,574
Cash and cash equivalents, end of period	2,093,884	7,560,019	2,093,884	7,560,019
Cash and cash equivalents consist of:				
Cash	-	1,595,045	-	1,595,045
Cash equivalents	2,093,884	5,964,974	2,093,884	5,964,974
	2,093,884	7,560,019	2,093,884	7,560,019
Supplemental disclosure of cash flow information				
Changes in accrued non-current assets	124,984	4,811,959	(28,816)	5,399,137
Depreciation included in corporate and administrative costs	7,934	473,528	118,447	617,242

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

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

	Share capital		Reserves				Deficit	Shareholders' equity		
			Warrants		Stock options				Amount	Total
	Number	Amount	Number	Amount	Number	Amount				
	\$		\$		\$	\$	\$			
Balance, March 31, 2013	126,200,807	393,500,526	16,505,000	6,552,450	1,716,875	9,699,202	(146,959,483)	262,792,695		
Expiry of warrants	-	-	(662,500)	(1,172,625)	-	-	1,172,625	-		
Expiry of vested options	-	-	-	-	(132,500)	(688,950)	688,950	-		
Forfeiture of unvested options	-	-	-	-	(30,625)	(38,721)	-	(38,721)		
Share based payments	-	-	-	-	-	402,417	-	402,417		
Loss for the period	-	-	-	-	-	-	(84,738,840)	(84,738,840)		
Balance, December 31, 2013	126,200,807	393,500,526	15,842,500	5,379,825	1,553,750	9,373,948	(229,836,748)	178,417,551		
Redemption of deferred share units	122,316	24,168	-	-	-	-	-	24,168		
Expiry of vested options	-	-	-	-	(308,672)	(1,349,919)	1,349,919	-		
Forfeiture of unvested options	-	-	-	-	(15,703)	3,697	-	3,697		
Share based payments	-	-	-	-	-	18,992	-	18,992		
Loss for the period	-	-	-	-	-	-	(20,478,202)	(20,478,202)		
Balance, March 31, 2014	126,323,123	393,524,694	15,842,500	5,379,825	1,229,375	8,046,718	(248,965,031)	157,986,206		
Expiry of warrants	-	-	(2,042,500)	(756,825)	-	-	756,825	-		
Expiry of vested options	-	-	-	-	(149,375)	(467,731)	467,731	-		
Loss for the period	-	-	-	-	-	-	(211,671,217)	(211,671,217)		
Balance, December 31, 2014	126,323,123	393,524,694	13,800,000	4,623,000	1,080,000	7,578,987	(459,411,692)	(53,685,011)		

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

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

1. Nature of operations and going concern

Labrador Iron Mines Holdings Limited (the "Company") is a mineral resource company engaged in the 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 north-eastern Quebec, near the town of Schefferville, Quebec (collectively, the "Schefferville Projects").

The Company's head office is located at 220 Bay Street, Suite 700, Toronto, Ontario, M5J 2W4.

During the nine months ended December 31, 2014, the Company had a net loss of \$211,671,217, negative cash flow from operations of \$8,022,411 and an ending working capital deficit of \$62,249,250. During the year ended March 31, 2014, the Company had a net loss of \$105,217,042, negative cash flow from operations of \$37,078,888 and an ending working capital deficit of \$8,662,391.

The Company needs to secure additional financing arrangements and complete a financial restructuring in order to manage its current working capital deficit and to fund its continuing operations and corporate administration costs so as to continue as a going concern. The above risks, financial results and working capital deficit create a material uncertainty about the ability of the Company to continue as a going concern. There are no assurances that the Company will be successful in obtaining any required financing, or in obtaining financing on a timely basis or on reasonable or acceptable terms. The Company also needs to negotiate amendments to the commercial terms of certain of its major contracts to suspend or defer commitments that would otherwise come due. There are no assurances that the Company will be successful in negotiating such commercial terms, or in obtaining such suspension or deferral on a timely basis or on reasonable or acceptable terms or at all.

In order to address the Company's current financial position and the risks and uncertainties related to its ability to continue as a going concern, the Company is currently negotiating a potential support arrangement with RBRG Gerald Metals, an existing creditor and offtake customer, that, if successfully entered into, would provide working capital financing to fund the Company's ongoing corporate and standby activities and, as a separate component, potential future project development financing. It is expected that the conditions of this potential support arrangement and potential financing will include a requirement for the Company to restructure its existing liabilities, by means of a plan of arrangement under the applicable legislation of the Companies' Creditors Arrangement Act or the Bankruptcy and Insolvency Act, and a requirement to successfully negotiate more favourable commercial terms of certain major contracts and to suspend or defer commitments that have or otherwise would come due.

Subject to the Company concluding this potential support arrangement and RBRG Gerald Metals providing the contemplated working capital financing, the Company believes it will secure sufficient working capital to operate over the next 12 months and continue as a going concern.

If the Company is unable to complete a financial restructuring and obtain adequate additional financing in the immediate term, whether with RBRG or through other arrangements, the Company will be required to curtail all its operations and development activities and may be required to conduct a sales process to liquidate its assets.

The Company has reasonable expectations that the potential support arrangement negotiations will be successful and accordingly, the condensed interim consolidated financial statements for the period ended December 31, 2014 have been prepared on a going concern basis, using the historical cost convention. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ from the going concern basis.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

1. Nature of operations and going concern (continued)

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurance that current exploration, development and mining plans will result in profitable mining operations. The recoverability of the carrying value of assets and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable resources, the achievement of profitable operations or the ability of the Company to raise additional financing or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

If the going concern assumption were not appropriate for these condensed interim consolidated financial statements, adjustments would be necessary to the carrying values of the assets and liabilities, reported revenues and expenses, and statement of financial position classifications. Such adjustments could be material.

2. Basis of preparation

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

These condensed interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34") on a basis consistent with the accounting policies disclosed in the consolidated financial statements of the Company for the year ended March 31, 2014.

3. Significant accounting judgments, estimates and assumptions

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the condensed interim consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

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

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of non-financial assets and at objective evidence of significant or prolonged decline of fair value of 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.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

3. Significant accounting judgments, estimates and assumptions (continued)

Impairment of non-financial assets

While assessing whether any indications of impairment exist for non-financial assets, consideration is given to both external and internal sources of information. External sources of information include, among other things, 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 non-financial assets. Internal sources of information include the manner in which non-financial assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's non-financial assets, costs to sell the assets 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 non-financial assets.

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. At the Company's fiscal year end and at September 30, 2014, the Company completed an impairment assessment of its mineral property interests based on a combination of factors including net present value and arm's length transaction value methodology. Refer to Note 24.

Estimation of rehabilitation provision

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

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

3. Significant accounting judgments, estimates and assumptions (continued)

Share based payments

Management determines costs for share-based compensation 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 behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Deferral of stripping and dewatering costs

In determining whether stripping and dewatering costs incurred during the production phase of a mining property relate to mineral resources that will be mined in a future period and therefore should be capitalized, the Company determines whether it is probable that future economic benefit associated with the stripping activity will flow to the Company.

Asset lives, depletion/depreciation rates for property, plant and equipment and mineral 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 condensed interim consolidated statement of operations and comprehensive loss.

Inventory valuation

Saleable product and ore at site are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of inventories include estimates of the ore, estimates of the iron contained in the ore, assumptions of the amount of iron ore that is expected to be saleable and assumption of the iron ore price expected to be realized when the inventories are sold. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its inventories.

Commencement of commercial production

During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as property, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Company defines commencement of commercial production as the date that a mine has achieved a sustainable level of production that provides a basis for a reasonable expectation of profitability along with various qualitative factors including but not limited to the achievement of mechanical completion, whether production levels are sufficient to be at least capable of generating sustainable positive cash flow, the working effectiveness of the site processing plant, whether marketing arrangements for the product are in place, whether the product is of sufficient quantity to be sold, whether there is a sustainable level of production input available including power, water, diesel, etc. and whether the necessary permits are in place to allow continuous operations. The condensed interim consolidated financial statements of the Company are prepared on the basis that the Company's producing mine entered commercial production for accounting purposes effective April 1, 2012.

Contingencies

Refer to Note 21.

Going concern

Refer to Note 1.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

4. Significant accounting policies

The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2014, which have been prepared in accordance with IFRS as issued by IASB. The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with the significant accounting policies used in the preparation of the consolidated financial statements for the year ended March 31, 2014. Refer to Note 4 to the consolidated financial statements for the year ended March 31, 2014 for a full description of significant accounting policies.

Impairment of assets

The Company assesses at each date of the consolidated statement of financial position the carrying amounts of assets to determine whether there is an indication that those assets have suffered an impairment.

If an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the assets belong.

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments for the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment is recognized immediately in the consolidated statement of comprehensive loss, unless the relevant asset (or CGU) is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset (or CGU) in prior periods. A previously recognized impairment is reversed only if there has been a change in the assumptions used to determine the recoverable amount of the asset (or CGU) since the last impairment was recognized.

New standards and interpretations adopted

IFRS 13 - *Fair Value Measurement* ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. There was no impact on the Company's condensed interim consolidated financial statements upon adoption of this standard on April 1, 2013.

IFRIC 20 - *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20") was issued in October 2011 and is effective for annual periods beginning on or after January 1, 2013. IFRIC 20 was issued to address the accounting for costs associated with waste removal in surface mining ("stripping costs"). The interpretation clarifies when production stripping should lead to the recognition of an asset and how the asset should be measured, both initially and in subsequent periods. The adoption of IFRIC 20 resulted in the capitalization of \$Nil (March 31, 2014 - \$14,180,563) of stripping costs in the nine months ended December 31, 2014 which would have been expensed under the Company's previous accounting policy. There was no historical adjustment required as a result of the adoption of IFRIC 20.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 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.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

4. Significant accounting policies (continued)

Recent accounting pronouncements (continued)

IFRS 9 – *Financial Instruments* (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 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. Earlier adoption is permitted.

IAS 32 – *Financial Instruments: Presentation* (“IAS 32”) was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

IAS 36 – *Impairments of Assets* (“IAS 36”) was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”) was amended by the IASB in June 2013 to clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014.

5. Restricted cash

Current restricted cash consists of cash held in a third party escrow account. Non-current restricted cash consists of guaranteed investment certificates and term deposits assigned by the Company to its bank as security for letters of credit issued for rehabilitation obligations and certain commercial contracts.

In September 2013, \$5,000,000 was contributed to the operator and classified as current restricted cash for the exploration of the Howse property and \$1,500,000 was classified as current restricted cash for Phase 1 modification and upgrading of the Silver Yards rail siding. As at December 31, 2014, the full \$1,500,000 portion of current restricted cash earmarked for Phase 1 modification and upgrading had been expended on the Silver Yards rail siding and the full \$5,000,000 of current restricted cash had been expended on Howse exploration.

	December 31, 2014 \$	March 31, 2014 \$
Restricted cash from Howse property transaction	-	2,847,958
Total – Current	-	2,847,958
Restricted bank account	55,077	-
Security for letters of credit for rehabilitation obligations	3,969,916	4,199,517
Total – Non-current	4,024,993	4,199,517

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

6. Accounts receivable and prepaid expenses

	December 31, 2014	March 31, 2014
	\$	\$
Accounts receivable	225,363	650,646
Refundable taxes	13,883	1,603,337
Prepaid expenses	1,046,353	1,823,400
	<u>1,285,599</u>	<u>4,077,383</u>

Refer to Note 24 regarding impairment of accounts receivable and prepaid expenses.

7. Inventories

	December 31, 2014	March 31, 2014
	\$	\$
Ore at site	-	1,859,158
Consumables	100,000	250,000
	<u>100,000</u>	<u>2,109,158</u>

Ore at site consists of (i) run of mine ore at site, carried at cost and (ii) treated ore at site (or in transit to port), carried at cost. Consumables consist of fuel for various activities at site. Refer to Note 24 regarding impairment of inventories.

8. Long term prepaid expenses, advances and deferred expenses

Long term prepaid expenses, advances and deferred expenses consist of various prepaid royalties, prepaid tariffs and infrastructure access advances. Refer to Note 24 regarding impairment of long term prepaid expenses, advances and deferred expenses.

9. Mineral property interests

The Company holds 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.

All of the iron ore properties located in Labrador are held subject to a royalty in the amount of 3% of the selling price (Free On Board ("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 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. Seventeen mining claims in Quebec are subject to a royalty of \$2.00 per tonne. An advance royalty payment of \$2.0 million was paid which will be credited against future royalties payable on seventeen of the mining claims in Quebec.

The Company, through its wholly-owned subsidiary Schefferville Mines Inc. ("SMI"), holds 146 mining claims in Quebec which are subject to the payment of a royalty of \$2.00 per tonne of iron ore shipped from the properties. These properties are subject to pre-existing litigation by a third party against the previous holder of the properties claiming breach of contract and seeking performance of an alleged agreement concerning the licensed properties and unspecified damages. The Company considers such litigation to be without merit.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

9. Mineral property interests (continued)

In September 2013, the Company entered into an agreement with Tata Steel Minerals Canada Ltd. ("TSMC") for the exploration and development of LIM's Stage 3 Howse Deposit. Under the terms of the agreement, Howse Minerals Limited ("HML"), a wholly owned subsidiary of TSMC, acquired an initial 51% participating interest in the Howse Property for a total cash consideration of \$30 million. As part of the agreement, LIM agreed to conduct a \$5 million exploration program on the Howse Property. Following completion of LIM's \$5 million exploration program and the calculation of a new NI 43-101 resource, HML shall contribute an additional \$23.5 million and thereby increase its participating interest in the Howse Deposit to 70%, with LIM holding 30%. As at December 31, 2014, LIM's full \$5 million exploration program had been completed. The agreement includes certain provisions regarding various "put" or "call" or "drag along" rights of each party's respective interest in the Howse property at fair market value in certain circumstances, including in the event of a change in control of the Company or in the event of certain defaults by the Company.

The reclamation balance included within mineral property interests represents amounts initially recorded to correspond with the rehabilitation provisions.

The Company's mineral property interests are as follows:

Cost at:	Producing mines	Mineral property interests	Reclamation balance	Total
	\$	\$	\$	\$
March 31, 2013	30,774,932	92,756,004	2,832,299	126,363,235
Additions	2,852,537	6,243,626	911,336	10,007,499
Reclassification to mineral property interests	(3,319,501)	3,319,501	-	-
Disposal of interest in Howse Deposit	-	(20,408,896)	-	(20,408,896)
Impairments	(5,170,905)	-	(293,300)	(5,464,205)
March 31, 2014	25,137,063	81,910,235	3,450,335	110,497,633
Additions	-	1,810,458	-	1,810,458
Impairments	-	(83,720,692)	(3,450,335)	(87,171,027)
December 31, 2014	25,137,063	1	-	25,137,064
Accumulated depletion and depreciation				
March 31, 2013	19,736,693	-	729,150	20,465,843
Depletion	5,400,370	-	-	5,400,370
Depreciation	-	-	1,893,329	1,893,329
March 31, 2014	25,137,063	-	2,622,479	27,759,542
Depreciation	-	-	75,199	75,199
Impairments	-	-	(2,697,678)	(2,697,678)
December 31, 2014	25,137,063	-	-	25,137,063
Net book value				
March 31, 2014	-	81,910,235	827,856	82,738,091
December 31, 2014	-	1	-	1

All of the Company's properties other than those in Stage 1 are categorized as mineral property interests. Stage 1 of the Schefferville Projects, primarily consisting of the James Mine, was classified as a producing mine.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

9. Mineral property Interests (continued)

As indications of impairment existed, the Company carried out an impairment assessment as at September 30, 2014 in accordance with the Company's accounting policies and as required by IAS 36, using prevailing iron ore prices and existing mining and transportation contract terms and prevailing ocean freight from eastern Canada to China and based on such assessment recorded a non-cash impairment charge against its mineral property interests in the amount of \$84,473,349.

Significant judgments and assumptions are required in making estimates of fair value and valuations are subject to variability in key assumptions including, but not limited to, forecasts of long-term iron prices, currency exchange rates, discount rates, production, operating and capital costs. Any change in one or more of the assumptions used could result in a change in fair value. This fair value estimate does not give any value to higher iron ore prices, the potential to re-negotiate current contracts or reduce operating costs, the substantial in-situ resource or the exploration potential of the properties.

In September 2013, the Company completed the sale of a majority interest in the Howse Deposit to TSMC.

	Three months ended		Nine months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	\$	\$	\$	\$
Proceeds on sale of mineral property interests	-	-	-	30,000,000
Carrying value of mineral property interests sold	-	-	-	(20,408,896)
Gain on sale of mineral property interests	-	-	-	9,591,104

10. Property, plant and equipment

Cost at:	Buildings and mine camp	Office equipment	Transportation infrastructure and equipment	Beneficiation plant and equipment	Total
	\$	\$	\$	\$	\$
March 31, 2013	10,374,160	1,162,760	32,536,366	74,083,295	118,156,581
Additions	645,840	22,114	3,227,792	12,507,575	16,403,321
March 31, 2014	11,020,000	1,184,874	35,764,158	86,590,870	134,559,902
Additions	130,000	-	620,122	91,122	841,244
Impairments	(10,172,899)	(1,184,873)	(25,813,037)	(86,681,991)	(123,852,800)
December 31, 2014	977,101	1	10,571,243	1	11,548,346
Accumulated depreciation at:					
March 31, 2013	2,761,917	434,187	4,989,063	1,088,047	9,273,214
Depreciation for the year	1,844,277	223,300	3,784,602	18,893,306	24,745,485
March 31, 2014	4,606,194	657,487	8,773,665	19,981,353	34,018,699
Depreciation for the period	942,788	79,108	926,195	108,570	2,056,661
Impairments	(5,287,335)	(736,595)	(6,628,617)	(20,089,923)	(32,742,470)
December 31, 2014	261,647	-	3,071,243	-	3,332,890
Net book value at:					
March 31, 2014	6,413,806	527,387	26,990,493	66,609,517	100,541,203
December 31, 2014	715,454	1	7,500,000	1	8,215,456

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

10. Property, plant and equipment (continued)

As indications of impairment existed, the Company carried out an impairment assessment as at September 30, 2014 in accordance with the Company's accounting policies and as required by IAS 36, using prevailing iron ore prices and existing mining and transportation contract terms and prevailing ocean freight from eastern Canada to China and based on such assessment recorded a non-cash impairment charge against property, plant and equipment in the amount of \$91,110,330.

Significant judgments and assumptions are required in making estimates of fair value and 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. Any change in one or more of the assumptions used could result in a change in fair value.

11. Accounts payable and accrued liabilities

	December 31, 2014	March 31, 2014
	\$	\$
Trade payables and accruals	35,893,400	19,487,384
Sales taxes and statutory liabilities	33,660	1,866,815
	<u>35,927,060</u>	<u>21,354,199</u>

12. Deferred revenue and other financial liabilities

(a) Deferred revenue

The Company's subsidiary Labrador Iron Mines Limited entered into an arrangement with RB Metalloyd Limited (now RBRG Trading (UK) Limited) ("RBR"), pursuant to which RBR provided an advance payment of US\$35,000,000 against the sale of future iron ore production by the Company. The advance payment is being credited against future sales in equal installments coinciding with the timing of seventeen shipments beginning in August 2013 and originally anticipated to end in December 2014.

Repayment of this financing is secured by a charge over the Company's Ferriman and Wishart low grade stockpiles and is guaranteed by the parent Company. At December 31, 2014, a total of 1,663,000 wmt of iron ore had been delivered under this contract with US\$14.4 million credited against the advance payment. As at December 31, 2013 and December 31, 2014, \$15,121,456 of the advanced payment had been recognized as revenue with respect to seven shipments, leaving a remaining balance of \$23,226,209 (US\$20.6 million) at December 31, 2014 (March 31, 2014 - \$22,129,066 (US\$20.6 million)). The remaining commitment of 1.8 million tonnes was due to be delivered and a remaining balance of US\$20.6 million was due to be repaid during 2014. This product delivery commitment has not been met and repayment has not been made. Demand for payment has been made by RBR, including a claim for potential interest and penalties incremental to the US\$20.6 million due. The Company has not agreed to the amount of the potential interest and penalties, if any, and accordingly has not accrued such charges as liabilities as at December 31, 2014. The Company is currently seeking to negotiate an extension of the delivery schedule and associated financing repayment timetable for the volume of product previously expected to be shipped in 2014. Subject to successful completion of these negotiations, it is expected that the Company's remaining off-take product delivery and financing repayment commitments will be deferred or restructured. Such extension has not yet been formally agreed and there is no assurance that negotiations will be successful or that any such deferrals or restructuring will be achieved.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

12. Deferred revenue and other financial liabilities (continued)

(a) *Deferred revenue (continued)*

The advance payment of US\$20.6 million is recognized as deferred revenue on the statement of financial position.

	Nine months ended December 31, 2014 \$	Year ended March 31, 2014 \$
Balance , beginning of period	22,129,066	-
Advance payment received	-	37,520,522
Foreign exchange adjustment	1,097,143	(270,000)
Recognized as revenue	-	(15,121,456)
Balance , end of period	<u>23,226,209</u>	<u>22,129,066</u>

(b) *Rail construction advance*

As part of a strategic co-operation agreement with TSMC, TSMC has advanced a total of \$5,000,000 to the Company in the form of a non-interest bearing loan for the purpose of upgrading and modifying the current rail infrastructure at the Company's Silver Yards site to enable construction of the new extended rail line to connect with TSMC's Timmins area plant near the Howse mine site. The Company has agreed to transfer ownership of a portion of its rail line to a rail operating company for consideration of \$5,000,000 which will be used by the Company to repay the rail construction advance.

13. Finance lease obligation

The Company entered into finance lease agreements for a mine camp and a mine camp expansion during the years ended March 31, 2012 and March 31, 2013 respectively. The Company uses an incremental borrowing rate of 11% in determining the value of the finance lease obligation.

	Nine months ended December 31, 2014 \$	Year ended March 31, 2014 \$
Balance , beginning of period	2,306,037	3,161,636
Payments made	(870,822)	(1,161,097)
Finance lease expenses	164,753	305,498
Balance , end of period	<u>1,599,968</u>	<u>2,306,037</u>
Current portion, end of period	<u>(782,168)</u>	<u>(954,608)</u>
Non-current portion, end of period	<u>817,800</u>	<u>1,351,429</u>

Future minimum lease payments under the finance lease agreement as at December 31, 2014 are as follows:

	\$
Not later than 1 year	611,000
Later than 1 year, not later than 5 years	645,000
	<u>1,256,000</u>

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

13. Finance lease obligation (continued)

The finance lease has a purchase option for the mine camp exercisable in June 2015 for \$100,000 and has a purchase option for the mine camp extension exercisable in the month of June 2017 for \$100,000.

14. 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 December 31, 2014, the total undiscounted amount of the Company's rehabilitation provision is \$3,913,368 and is expected to be incurred between 2014 and 2031. The present value of the rehabilitation provision has been estimated at \$3,769,387 at December 31, 2014 using a discount rate ranging from 1.07% to 2.5% and a long-term inflation rate of approximately 1.4%.

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

	Nine months ended December 31, 2014	Year ended March 31, 2014
	\$	\$
Balance , beginning of period	3,935,526	2,971,469
Present value of obligation on inception	-	911,337
Present value of amendment to obligation	(213,659)	-
Accretion on rehabilitation provision	47,520	52,720
Balance , end of period	<u>3,769,387</u>	<u>3,935,526</u>
Current portion, end of period	<u>(760,976)</u>	<u>(736,422)</u>
Non-current portion, end of period	<u><u>3,008,411</u></u>	<u><u>3,199,104</u></u>

15. Other liabilities – Deferred share units

On April 1, 2012 the Company adopted the 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, that number of shares of the Company equal to the number of DSUs redeemed or the cash equivalent based on the value of the shares on the date of redemption.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

15. Other liabilities - Deferred share units (continued)

A summary of deferred share units granted and exercised is presented below:

	Number of deferred shares units		Fair value	
	Nine months ended December 31, 2014	Year ended March 31, 2014	Nine months ended December 31, 2014 \$	Year ended March 31, 2014 \$
Balance , beginning of period	1,077,362	259,264	129,283	165,929
Granted	-	992,835	-	253,370
Redeemed	-	(174,737)	-	(34,526)
Adjustment to fair value	-	-	(96,963)	(255,490)
Balance , end of period	1,077,362	1,077,362	32,320	129,283

At each period end a fair value adjustment is recognized based on the prevailing share price of the company at the period end.

The issuance of new deferred share units was suspended indefinitely effective April 1, 2014.

16. Long term payables

Long-term payables consist of payables which have payment terms extending beyond one year, subject to acceleration in the event of default.

17. Share capital

Authorized	Number of shares		Amount	
	Nine months ended December 31, 2014	Year ended March 31, 2014	Nine months ended December 31, 2014 \$	Year ended March 31, 2014 \$
Unlimited common shares, no par value				
Issued				
Balance , beginning of period	126,323,123	126,200,807	393,524,694	393,500,526
Redemption of deferred share units	-	122,316	-	24,168
Balance , end of period	126,323,123	126,323,123	393,524,694	393,524,694

18. Reserves

(a) *Stock options*

The Company operates a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options cannot exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the Board of Directors at no lesser than the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

18. Reserves (continued)

(a) Stock options (continued)

A summary of the Company's options at December 31, 2014 and March 31, 2014 and the changes for the periods then ended is presented below:

	Nine months ended December 31, 2014		Year ended March 31, 2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of period	1,229,375	4.83	1,716,875	5.17
Expired	(149,375)	4.76	(441,172)	6.41
Forfeited	-	-	(46,328)	3.69
Outstanding, end of period	1,080,000	4.78	1,229,375	4.83

The following table sets out details of the stock options outstanding at December 31, 2014:

Options outstanding and exercisable			
Number	Weighted average exercise price \$	Expiry date	Grant date fair value \$
200,000	6.27	14/09/2015	948,000
100,000	6.80	22/09/2016	509,000
40,000	6.81	10/11/2016	195,600
200,000	6.35	30/11/2016	924,000
20,000	6.20	09/02/2017	91,400
520,000	3.00	02/07/2017	868,400
1,080,000	4.78		3,536,400

There were no options granted during the nine months ended December 31, 2014 and December 31, 2013 respectively.

The weighted average contractual life remaining for outstanding and exercisable options at December 31, 2014 is 2.0 years (March 31, 2014 – 2.7 years).

The total number of common shares that are issuable pursuant to stock options that are exercisable as at December 31, 2014 is 1,080,000 (March 31, 2014 – 1,149,765).

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

18. Reserves (continued)

(b) Warrants

A summary of the Company's share purchase warrants at December 31, 2014 and March 31, 2014 and the changes for the periods then ended is presented below:

	Nine months ended December 31, 2014		Year ended March 31, 2014	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding, beginning of period	15,842,500	1.31	16,505,000	1.49
Expired	(2,042,500)	1.03	(662,500)	5.30
Outstanding, end of period	13,800,000	1.35	15,842,500	1.31

As at December 31, 2014, the Company had 13,800,000 outstanding exercisable warrants, with a weighted average remaining contractual life of 1.1 years, as follows:

Warrants outstanding and exercisable			
Number	Weighted average exercise price \$	Expiry date	Grant date fair value \$
13,800,000	1.35	12/02/2016	4,623,000

(c) Reserves

A summary of the reserves account is presented below:

	\$
Balance, March 31, 2013	16,251,652
Expiry of vested options	(2,038,869)
Forfeiture of unvested options	(35,024)
Expiry of warrants	(1,172,625)
Share based payments	421,409
Balance, March 31, 2014	13,426,543
Expiry of warrants	(756,825)
Expiry of vested options	(467,731)
Balance, December 31, 2014	12,201,987

111

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

19. Financial instruments

Fair Value Hierarchy

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

(a) *Level 1* - Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) *Level 2* - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) *Level 3* - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company does not have any Level 3 financial instruments.

At December 31, 2014 and March 31, 2014, 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, accounts receivable, accounts payable and accrued liabilities and long-term payables on the statement of financial position approximate fair value because of the limited term of the instruments.

Financial risk management

This section provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk and how the Company manages those risks. The Company's objectives and management of risks have not changed significantly during the nine months ended December 31, 2014.

(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, accounts receivable and tax credits receivable. The Company does not currently hold derivative type instruments that would require a counterparty to fulfill a contractual obligation. The Company has never held any asset backed paper instruments. The Company seeks to place its cash and cash equivalents with reputable financial institutions. At December 31, 2014, 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. Accounts receivable consist of amounts owing from the sale of iron ore and sales tax recoverable from the Government of Canada. The carrying amount of financial assets represents the Company's maximum credit exposure.

(ii) *Liquidity risk*

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they come due. As at December 31, 2014, the Company had a working capital deficit of \$62,249,250. The Company needs to secure additional financing and complete a financial restructuring in order to continue as a going concern. Refer to Note 1.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

19. 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 and U.S. dollars. The Company's functional and reporting currency is the Canadian dollar. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. Revenue from the sale of iron ore is denominated in U.S. dollars and, as a result, fluctuations in the U.S. dollar exchange rate relative to the Canadian dollar could create volatility in the Company's cash flows and the reported amounts for revenue in the condensed interim 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 condensed interim consolidated statement of operations and comprehensive loss.

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

(iv) *Interest rate risk*

Included in net loss for the nine months ended December 31, 2014 is interest earned on the Company's cash and cash equivalents. If interest rates throughout the nine months ended December 31, 2014 had been 100 basis points higher (lower) then the loss would have been approximately \$30,000 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 the condensed interim 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.

20. Capital management

The capital of the Company consists of common shares, stock options, share purchase warrants and finance leases. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

The Company manages its cash and cash equivalents, common shares, stock options, and share purchase warrants as capital. 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. As the Company has been in the exploration and development stage, its principal source of funds for its operations has been from the proceeds of the issuance of common shares. 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 and develop its Schefferville Projects for the benefit of its stakeholders. The Company uses stock options primarily to retain and provide incentives to employees, directors and consultants. The granting of stock options is primarily determined by the Board of Directors.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

20. Capital management (continued)

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

21. Commitments and contingencies

(a) The Company is committed to a minimum amount of rental payments under a long-term operating lease for its head office premises, which expires on August 31, 2019. As at December 31, 2014, minimum rental commitments remaining under this lease are as follows:

	\$
Not later than 1 year	576,000
Later than 1 year, not later than 5 years	2,112,000
	<u>2,688,000</u>

The Company expects to recover a portion of these lease commitments from corporations with common directors and officers that are sharing part of the head office premises.

(b) The Company is committed to future payments under contracts for the supply of locomotives and the use of third party rail and port infrastructure. The rail contracts include provisions for future capital contributions by the Company, which will be credited against future tariffs. The rail contracts also include provisions for minimum future haulage volumes and tariffs. The port contract includes a provision for a future buy-in payment, which will be credited against future shipping fees. The port contract also includes provisions for minimum future shipping volumes and fees. The Company has also agreed to certain community development and training contributions to various First Nations communities. Commitments under the rail contracts were not met in 2014 and have been informally deferred. Certain contributions to various First Nations communities were not met in 2014 and are in arrears. As at December 31, 2014, minimum commitments relating to rail, port and First Nations agreements, net of credits of \$30,969,000 against future tariffs and fees, are as follows:

	\$
Not later than 1 year	37,574,000
Later than 1 year, not later than 5 years	94,249,000
Later than 5 years	25,493,000
	<u>157,316,000</u>

(c) 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.

(d) Refer to Note 9 regarding potential provisions, in certain circumstances, contained in the agreement with TSMC with respect to the Howse Property.

(e) Refer to Note 12(a) regarding deferred revenue.

(f) Refer to Note 13 regarding finance lease obligation.

(g) The Company has indemnified the subscribers of flow-through shares against certain tax related amounts for which they may become liable.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

22. Revenue, net

Revenue from mining operations recognized by the Company is calculated based on the actual realized price (i.e. CFR China price plus or minus value-in-use adjustments) of a shipment of iron ore resold in China, less shipping costs and the Iron Ore Company of Canada's ("IOC") participation, which includes product handling, ship loading and sales costs. To date, the Company has sold its entire iron ore product to IOC at Sept-Iles, which product has been resold in China by way of an off-take arrangement with RBRG Gerald Metals (formerly RB Metalloyd Limited). The Company has not completed any sales of iron ore in the fiscal year commencing April 1, 2014.

23. Related party transactions and compensation of key management personnel

During the nine months ended December 31, 2014, the Company recovered \$107,201 (December 31, 2013 - \$90,045) in respect of office rent from corporations with common directors and/or officers. At December 31, 2014, \$40,168 (March 31, 2014 - \$48,791) remained receivable.

During the nine months ended December 31, 2014, the Company made payments to companies with common directors and/or officers, in respect of management compensation (management costs) provided in the amount of \$150,000 (December 31, 2013 - \$436,500). All of the management compensation in the nine months ended December 31, 2014 was expensed. At December 31, 2014, \$604,370 (March 31, 2014 - \$620,587) in management compensation remained payable to these related companies.

During the nine months ended December 31, 2014, the Company incurred legal fees in respect of services provided by a professional corporation controlled by an officer in the amount of \$98,260 (December 31, 2013 - \$93,560). At December 31, 2014, \$11,320 (March 31, 2014 - \$36,960) remained payable to this related party for legal fees.

Compensation of key management personnel of the Company

The remuneration of directors and other key management personnel was as follows:

	Three months ended		Nine months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	\$	\$	\$	\$
Short term compensation (i)	204,072	282,750	596,461	920,931
Share based payments (ii)	-	29,911	-	245,496
	204,072	312,661	596,461	1,166,427

(i) Short term compensation includes salaries, bonuses and allowances, employment benefits and directors' fees.

(ii) Share based payments represent the amount recorded by the Company for vested stock options and DSUs issued during the period.

In accordance with IAS 24 – *Related Parties Disclosures* ("IAS 24"), key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key management is determined by the compensation committee, having regard to the performance of individuals and market trends.

LABRADOR IRON MINES HOLDINGS LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
December 31, 2014 and 2013
(Unaudited, expressed in Canadian dollars)

24. Impairments

	Three months ended		Nine months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	\$	\$	\$	\$
Accounts receivable and prepaid expenses	-	-	1,124,266	-
Inventories	-	-	1,859,158	-
Long term prepaid expenses, advances and deferred expenses	-	-	19,601,625	-
Mineral property interests	-	-	84,473,349	-
Property, plant and equipment	-	-	91,110,330	-
	-	-	198,168,728	-

Due to a significant decline in the price of iron ore subsequent to March 31, 2014, the Company carried out an impairment assessment as at September 30, 2014 in accordance with the Company's accounting policies and as required by IAS 36, using prevailing iron ore prices, existing mining and transportation contract terms and prevailing ocean freight from eastern Canada to China. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount.

As at September 30, 2014 it was determined that, based on prevailing iron ore prices, existing contract terms and prevailing ocean freight from eastern Canada to China, the carrying value exceeded the recoverable amount of certain assets. Accordingly, a non-cash impairment totaling \$198,168,728 was recognized during the nine months ended December 31, 2014.

As outlined in its accounting policies the Company 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 and estimates of value of exploration potential, 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 determination of fair value.

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, the value of in situ minerals, exploration potential and land holdings, as well as economic factors beyond the Company's control, such as metal prices, discount rates and foreign exchange rates.

Significant judgments and assumptions are required in making estimates of fair value. 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. The fair value estimate may not be representative of actual net realizable value in an actual transaction.

This is **Exhibit "E"** referred to in
the Affidavit of John F. Kearney sworn
before me this 31st day of March , 2015


A Commissioner for Taking Affidavits



Ontario.ca

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Business Debtor Enquiry

Web Page ID: **WNoMatch001**

File Currency: **08MAR 2015**

System Date: **09MAR2015**

Search Criteria: LABRADOR IRON MINES HOLDINGS LIMITED

No Match.

No registered financing statement or registered claim for lien was found for this enquiry.

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Type of Search	Business Debtor						
Search Conducted On	LABRADOR IRON MINES LIMITED						
File Currency	08MAR 2015						
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status
	653879601	1	5	1	9	02JUN 2019	

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period
653879601		01	001		20090602 1454 1530 7865	P PPSA	5

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	LABRADOR IRON MINES LIMITED			
	Address		City	Province Postal Code
	220 BAY STREET SUITE 700		TORONTO	ON M5J 2W4

Individual Debtor	Date of Birth	First Given Name	Initial	Surname
Business Debtor	Business Debtor Name			Ontario Corporation No.
	Address		City	Province Postal Code

Secured Party	Secured Party / Lien Claimant			
	THE TORONTO-DOMINION BANK - 10252			
	Address		City	Province Postal Code
	55 KING STREET WEST		TORONTO	ON M5K 1A2

Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
				X	X				

Motor Vehicle Description	Year	Make	Model	V.I.N.

General Collateral Description	General Collateral Description			

Registering Agent	Registering Agent			
	CANADIAN SECURITIES REGISTRATION SYSTEMS			
	Address		City	Province Postal Code
	SUITE 200 - 4126 NORLAND AVENUE		BURNABY	BC V5G 3S8

CONTINUED

119

Type of Search	Business Debtor								
Search Conducted On	LABRADOR IRON MINES LIMITED								
File Currency	08MAR 2015								
	File Number	Family	of Families	Page	of Pages				
	653879601	1	5	2	9				
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT									
	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under			
		01	001		20140422 1436 1531 2234				
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period			
	653879601		X	B RENEWAL	5				
Reference Debtor/ Transferor	First Given Name		Initial	Surname					
	Business Debtor Name								
	LABRADOR IRON MINES LIMITED								
Other Change	Other Change								
Reason / Description	Reason / Description								
Debtor/ Transferee	Date of Birth	First Given Name		Initial	Surname				
	Business Debtor Name					Ontario Corporation No.			
	Address			City	Province	Postal Code			
Assignor	Assignor								
Secured Party	Secured Party/ Lien Claimant/ Assignee								
	Address			City	Province	Postal Code			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make			Model	V.I.N.			
General Collateral Description	General Collateral Description								
Registering Agent	Registering Agent or Secured Party/ Lien Claimant								
	CANADIAN SECURITIES REGISTRATION SYSTEMS								
	Address				City	Province	Postal Code		
	4126 NORLAND AVENUE				BURNABY	BC	V5G 3S8		
END OF FAMILY									

120

Type of Search	Business Debtor								
Search Conducted On	LABRADOR IRON MINES LIMITED								
File Currency	08MAR 2015								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	662073228	2	5	3	9	10JUN 2035			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
662073228		001	3		20100610 1456 1793 6611	P PPSA	25		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation No.			
	LABRADOR IRON MINES LIMITED								
	Address				City	Province	Postal Code		
	220 BAY STREET, SUITE 700				TORONTO	ON	M5J2W4		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation No.			
	Address				City	Province	Postal Code		
Secured Party	Secured Party / Lien Claimant								
	GATX RAIL CANADA CORPORATION								
	Address				City	Province	Postal Code		
	1801 MCGILL COLLEGE AVENUE, SUITE 1475				MONTREAL	QC	H3A2N4		
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X						
Motor Vehicle Description	Year	Make			Model	V.I.N.			
General Collateral Description	General Collateral Description								
	1. ALL OF DEBTOR'S RIGHT, TITLE AND INTEREST IN AND TO ALL PRESENT AND FUTURE RAILCARS, RAILROAD ROLLING STOCK AND OTHER RELATED PERSONAL PROPERTY (INCLUDING WITHOUT LIMITATION, COVERED								
Registering Agent	Registering Agent								
	GATX RAIL CANADA CORPORATION								
	Address				City	Province	Postal Code		
	1801 MCGILL COLLEGE AVENUE, SUITE 1475				MONTREAL	QC	H3A2N4		

CONTINUED

Type of Search	Business Debtor								
Search Conducted On	LABRADOR IRON MINES LIMITED								
File Currency	08MAR 2015								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	662073228	2	5	4	9	10JUN 2035			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
662073228		002	3		20100610 1456 1793 6611				
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			

121

Business Debtor		Business Debtor Name				Ontario Corporation No.			
		Address		City	Province	Postal Code			
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor		Business Debtor Name				Ontario Corporation No.			
		Address		City	Province	Postal Code			
Secured Party		Secured Party / Lien Claimant							
		Address		City	Province	Postal Code			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make			Model		V.I.N.		
General Collateral Description									
General Collateral Description	HOPPER CARS, TANK CAR, BOXCARS AND FLAT CARS) LEASED FROM TIME TO TIME BY THE SECURED PARTY TO THE DEBTOR, TOGETHER WITH ANY AND ALL ACCESSIONS, ADDITIONS, IMPROVEMENTS AND REPLACEMENTS FROM TIME TO								
Registering Agent		Registering Agent							
		Address		City	Province	Postal Code			
CONTINUED									
Type of Search	Business Debtor								
Search Conducted On	LABRADOR IRON MINES LIMITED								
File Currency	08MAR 2015								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	662073228	2	5	5	9	10JUN 2035			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number		Registered Under	Registration Period	
662073228		003	3		20100610 1456 1793 6611				
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor		Business Debtor Name				Ontario Corporation No.			
		Address		City	Province	Postal Code			
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor		Business Debtor Name				Ontario Corporation No.			
		Address		City	Province	Postal Code			
Secured Party		Secured Party / Lien Claimant							

122

		Address				City	Province	Postal Code	
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
Motor Vehicle Description	Year	Make			Model		V.I.N.		
General Collateral Description									
General Collateral Description	TIME INCORPORATED OR INSTALLED ON ANY OF THE FOREGOING. 2. PROCEEDS- GOODS, INVESTMENT PROPERTY, DOCUMENTS OF TITLE, CHATTEL PAPER, INSTRUMENTS, MONEY AND INTANGIBLES.								
Registering Agent	Registering Agent								
		Address				City	Province	Postal Code	
END OF FAMILY									
Type of Search	Business Debtor								
Search Conducted On	LABRADOR IRON MINES LIMITED								
File Currency	08MAR 2015								
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	664731405	3	5	6	9	27SEP 2016			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
664731405		01	001		20100927 1704 1462 8312	P PPSA	6		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation No.			
	LABRADOR IRON MINES LIMITED								
	Address				City	Province	Postal Code		
	220 BAY ST SUITE 700				TORONTO	ON	M5J2W4		
Individual Debtor	Date of Birth	First Given Name			Initial	Surname			
Business Debtor	Business Debtor Name					Ontario Corporation No.			
	Address				City	Province	Postal Code		
Secured Party	Secured Party / Lien Claimant								
	XEROX CANADA LTD								
	Address				City	Province	Postal Code		
	33 BLOOR ST. E. 3RD FLOOR				TORONTO	ON	M4W3H1		
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
			X		X				X
Motor Vehicle Description	Year	Make			Model		V.I.N.		

123

General Collateral Description	
General Collateral Description	
Registering Agent	
PPSA CANADA INC. - (3992)	
Address	
110 SHEPPARD AVE EAST, SUITE 303	
City	TORONTO
Province	ON
Postal Code	M2N6Y8
END OF FAMILY	
Type of Search	Business Debtor
Search Conducted On	LABRADOR IRON MINES LIMITED
File Currency	08MAR 2015
File Number	685172322
Family	4
of Families	5
Page	7
of Pages	9
Expiry Date	08MAR 2023
Status	
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN	
File Number	685172322
Caution Filing	
Page of	001
Total Pages	1
Motor Vehicle Schedule	
Registration Number	20130308 1709 1590 6845
Registered Under	P PPSA
Registration Period	10
Individual Debtor	
Date of Birth	
First Given Name	
Initial	
Surname	
Business Debtor	
Business Debtor Name	LABRADOR IRON MINES LIMITED
Ontario Corporation No.	
Address	220 BAY STREET, SUITE 700
City	TORONTO
Province	ON
Postal Code	M5J 2W4
Individual Debtor	
Date of Birth	
First Given Name	
Initial	
Surname	
Business Debtor	
Business Debtor Name	
Ontario Corporation No.	
Address	
City	
Province	
Postal Code	
Secured Party	
Secured Party / Lien Claimant	SEPT-ILES PORT AUTHORITY
Address	1, QUAI MGR. BLANCHE
City	SEPT-ILES
Province	PQ
Postal Code	G4R 5P3
Collateral Classification	
Consumer Goods	
Inventory	
Equipment	X
Accounts	
Other	
Motor Vehicle Included	
Amount	
Date of Maturity or	
No Fixed Maturity Date	
Motor Vehicle Description	
Year	
Make	
Model	
V.I.N.	
General Collateral Description	
General Collateral Description	
Registering Agent	
HEENAN BLAIKIE LLP (M-J COUTURE/P. COOK/049223-0009)	
Address	
SUITE 2900 - 333 BAY STREET	
City	TORONTO
Province	ON
Postal Code	M5H 2T4
END OF FAMILY	
Type of Search	Business Debtor

Search Conducted On LABRADOR IRON MINES LIMITED

File Currency	08MAR 2015								
File Number	Family	of Families	Page	of Pages	Expiry Date	Status			
686364561	5	5	8	9	25APR 2018				
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
686364561		001	1		20130425 1122 1590 9353	P PPSA	5		
Individual Debtor	Date of Birth	First Given Name		Initial	Surname				
Business Debtor	Business Debtor Name		Ontario Corporation No.						
	LABRADOR IRON MINES LIMITED								
	Address	City	Province	Postal Code					
	220 BAY STREET, SUITE 700	TORONTO	ON	M5J 2W4					
Individual Debtor	Date of Birth	First Given Name		Initial	Surname				
Business Debtor	Business Debtor Name		Ontario Corporation No.						
	Address	City	Province	Postal Code					
Secured Party	Secured Party / Lien Claimant								
	RB METALLOYD LTD.								
	Address	City	Province	Postal Code					
	MILLBANK TOWER, 21-24 MILLBANK	LONDON	ENG	SW1P 4QP					
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X		X	X				
Motor Vehicle Description	Year	Make		Model	V.I.N.				
General Collateral Description	General Collateral Description								

Registering Agent	Registering Agent			
	DENTONS CANADA LLP (LDR)			
	Address	City	Province	Postal Code
	77 KING STREET WEST, SUITE 400	TORONTO	ON	M5K 0A1

CONTINUED

Type of Search	Business Debtor						
Search Conducted On	LABRADOR IRON MINES LIMITED						
File Currency	08MAR 2015						
File Number	Family	of Families	Page	of Pages			
686364561	5	5	9	9			
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT							
Caution Filing	Page of	Total Pages	Motor Vehicle Schedule Attached	Registration Number	Registered Under		
	01	001		20130618 1048 1529 9026			
Record Referenced	File Number	Page Amended	No Specific Page Amended	Change Required	Renewal Years	Correct Period	
	686364561		X	A AMNDMNT			

Reference Debtor/ Transferor	First Given Name	Initial	Surname	
	Business Debtor Name			
	LABRADOR IRON MINES LIMITED			
Other Change	Other Change			
Reason / Description	Reason / Description			
	TO ADD ADDITIONAL SECURED PARTY.			
Debtor/ Transferee	Date of Birth	First Given Name	Initial	Surname
		Business Debtor Name		Ontario Corporation No.
		Address	City	Province Postal Code
Assignor	Assignor			
Secured Party	Secured Party/ Lien Claimant/ Assignee			
	BRITISH ARAB COMMERCIAL BANK PLC		City	Province Postal Code
	Address		LONDON	EN EC4N 8BJ
	8-10 MANSION HOUSE PLACE			
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts
				Other
				Motor Vehicle Included
				Amount
				Date of Maturity or
				No Fixed Maturity Date
Motor Vehicle Description	Year	Make	Model	V.I.N.
General Collateral Description	General Collateral Description			
Registering Agent	Registering Agent or Secured Party/ Lien Claimant			
	TORYS LLP			
	Address	City	Province	Postal Code
	SUITE 3000, 79 WELLINGTON ST. W. TD CENT	TORONTO	ON	M5K 1N2

LAST PAGE
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BACK TO TOP

All Pages

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126

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Main Menu > New Enquiry

Web Page ID: **WEnqResult**

File Currency: **08MAR 2015**

System Date: **09MAR2015**

LAST PAGE

Page 1

Show All Pages



Type of Search		Business Debtor							
Search Conducted On		SCHEFFERVILLE MINES INC.							
File Currency		08MAR 2015							
	File Number	Family	of Families	Page	of Pages	Expiry Date	Status		
	686364579	1	1	1	1	25APR 2018			
FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN									
File Number	Caution Filing	Page of	Total Pages	Motor Vehicle Schedule	Registration Number	Registered Under	Registration Period		
686364579		001	1		20130425 1123 1590 9354	P PPSA	5		
Individual Debtor		Date of Birth	First Given Name		Initial	Surname			
Business Debtor		Business Debtor Name				Ontario Corporation No.			
		SCHEFFERVILLE MINES INC.							
Address					City	Province	Postal Code		
220 BAY STREET, SUITE 700					TORONTO	ON	M5J 2W4		
Individual Debtor		Date of Birth	First Given Name		Initial	Surname			
Business Debtor		Business Debtor Name				Ontario Corporation No.			
Address					City	Province	Postal Code		
Secured Party		Secured Party / Lien Claimant							
		RB METALLOYD LTD.							
Address					City	Province	Postal Code		
MILLBANK TOWER, 21-24 MILLBANK					LONDON	ENG	SW1P 4QP		
Collateral Classification	Consumer Goods	Inventory	Equipment	Accounts	Other	Motor Vehicle Included	Amount	Date of Maturity or	No Fixed Maturity Date
		X		X	X				
Motor Vehicle Description		Year	Make		Model	V.I.N.			
General Collateral Description		General Collateral Description							
Registering Agent		Registering Agent							
		DENTONS CANADA LLP (LDR)							
Address					City	Province	Postal Code		
77 KING STREET WEST, SUITE 400					TORONTO	ON	M5K 0A1		

LAST PAGE

BACK TO TOP

128

LAST PAGE

 Page 1 

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SEARCHES – as of March 9, 2015			
	LIM	LIMH	SCHEFFERVILLE
Natural Resources	2 Confidential Registrations (see attached search results)	No registrations	No registrations
PPSA	3 registrations (these are the same as those disclosed in the January 20, 2015 search results)	No registrations	No registrations
Registry of Deeds	No registrations	No registrations	No registrations

Legend

LIM – Labrador Iron Mines Limited
LIMH – Labrador Iron Mines Holdings Limited
SCHEFFERVILLE – Schefferville Mines Inc.

**NATURAL RESOURCES (MINING) SEARCH – LABRADOR IRON MINES
HOLDINGS LIMITED**

March 9, 2015

I attended the Natural Resources Building – Mining Division, and reviewed the following:

1. Surface Leases – Volume 2 of 2.
2. Mining Leases – Volume 4 of 4.
3. Transfers/Mortgages – Volume 25.
4. Confidential Registrations – Volume 31-40.

All volumes were clear and contained no encumbrances, security interest or other registrations in the name of Labrador Iron Mines Holdings Limited.

This report lists registrations in the Personal Property Registry that match the following search criteria:

Province or Territory Searched: Newfoundland and Labrador
Type of Search: Debtors (Enterprise)
Search Criteria: Labrador Iron Mines Holdings Limited
Date and Time of Search: 2015-03-09 11:58 (Atlantic)
Transaction Number: 12113388
Searched By: N176912

The following table lists records that match the Debtors (Enterprise) you specified.

Exact	Included	Original Registration Number	Enterprise Name	Place
-------	----------	------------------------------	-----------------	-------

An '*' in the 'Exact' column indicates that the Debtor (Enterprise) exactly matches the search criteria.

An '*' in the 'Included' column indicates that the registration's details are included within the Search Result Report.

0 registration(s) contained information that **exactly** matched the search criteria you specified.

0 registration(s) contained information that **closely** matched the search criteria you specified.

When reviewing the registrations below, note that a registration which has expired or been discharged within the last 30 days can still be re-registered by the secured party.

All registration date/time values are stated in Atlantic Time.

For more information concerning the Personal Property Registry, go to www.acol.ca

END OF REPORT

NATURAL RESOURCES (MINING) SEARCH – LABRADOR IRON MINES LIMITED**March 9, 2015**

I attended the Natural Resources Building – Mining Division, and reviewed the following:

1. Surface Leases – Volume 2 of 2.
2. Mining Leases – Volume 4 of 4.
3. Transfers/Mortgages – Volume 25.
4. Confidential Registrations – Volume 31-40.

All volumes were clear and contained no new registrations, encumbrances or security interests, with the exception that we noted the following agreements in the Confidential Registrations (both of which were submitted for registration by our office as instructed by the client):

1. A Royalty Agreement dated October 1, 2011, and made between LIM & Fonteneau Resources Ltd. (“**Fonteneau**”). This agreement pertains to numerous Mineral Licences, a complete list of which is attached as Schedule “A” to the Agreement.
2. An Assignment of Rights Agreement dated July 12, 2012, and made between LIM, 154619 Canada Inc. and Peter Ferderber. This agreement pertains to the Mineral Licences that are the subject of the Royalty Agreement described in #1 herein.

NOTE: We have both original registered documents in hand as they were returned to us upon registration.

This report lists registrations in the Personal Property Registry that match the following search criteria:

Province or Territory Searched: Newfoundland and Labrador
Type of Search: Debtors (Enterprise)
Search Criteria: Labrador Iron Mines Limited
Date and Time of Search: 2015-03-09 11:57 (Atlantic)
Transaction Number: 12113385
Searched By: N176912

The following table lists records that match the Debtors (Enterprise) you specified.

Exact	Included	Original Registration Number	Enterprise Name	Place
*	*	10768315	LABRADOR IRON MINES LIMITED	TORONTO
*	*	10923217	Labrador Iron Mines Limited	Toronto
*	*	12593992	LABRADOR IRON MINES LIMITED	TORONTO
		7964143	Cliffs Quebec Iron Mining Limited Cliffs Quebec Mine de Fer Limitee	Montreal

An '*' in the 'Exact' column indicates that the Debtor (Enterprise) exactly matches the search criteria.

An '*' in the 'Included' column indicates that the registration's details are included within the Search Result Report.

3 registration(s) contained information that **exactly** matched the search criteria you specified.

1 registration(s) contained information that **closely** matched the search criteria you specified.

When reviewing the registrations below, note that a registration which has expired or been discharged within the last 30 days can still be re-registered by the secured party.

All registration date/time values are stated in Atlantic Time.

For more information concerning the Personal Property Registry, go to www.acol.ca

Registration Details for Registration Number: 10768315

Province or Territory: Newfoundland and Labrador
Registration Type: PPSA Financing Statement

Registration History

Registration Activity	Registration Number	Date/Time (Atlantic)	Expiry Date	File Number
Original	10768315	2013-03-01 15:21	2023-03-01	SM002161.245

This registration has **not** been the subject of an Amendment or Global Change. The following registration information was added by the original registration and has not been deleted.

Debtors

Type: Enterprise
 LABRADOR IRON MINES LIMITED

220 BAY STREET, SUITE 700
TORONTO ON M5J 2W4
Canada

Secured Parties

Type: Enterprise
SEPT-ÎLES PORT AUTHORITY
1, QUAI MGR. BLANCHE
SEPT-ÎLES QC G4R 5P3
Canada

General Collateral

THE DEBTOR HEREBY GRANTS TO THE SECURED PARTY A SECURITY INTEREST IN THE DEBTOR'S ROLLING STOCK OWNED AS OF FEBRUARY 15, 2013 CONSISTING OF RAILCARS USED BY THE DEBTOR FOR THE TRANSPORTATION OF ITS IRON ORE BETWEEN THE PROVINCE OF QUÉBEC AND THE PROVINCE OF NEWFOUNDLAND AND LABRADOR.

Registration Details for Registration Number: 10923217

Province or Territory: Newfoundland and Labrador
Registration Type: PPSA Financing Statement

Registration History

Registration Activity	Registration Number	Date/Time (Atlantic)	Expiry Date	File Number
Original	10923217	2013-04-26 16:11	2015-04-26	288-011
Amendment	11094117	2013-06-18 14:38	2015-04-26	SM004579.332

As listed in the Registration History section above, this registration has been the subject of an Amendment or Global Change to add or delete information. The following registration details provide the registration number for the Amendment that added or deleted information. If no "added by" or "deleted by" registration number is provided, the information was added by the original registration and has not been deleted.

Debtors

Type: Enterprise
Labrador Iron Mines Limited
Steenberg, Neil
Legal Counsel
220 Bay Street, Suite 700
Toronto ON M5J 2W4
Canada

Secured Parties

Type: Enterprise
RB Metalloyd Ltd.
Jenkins, Chris
Head Lawyer

Millbank Tower
21-24 Millbank
London - SW1P 4QP
UK
Phone #: 207-802-5218

The Secured Party below was added by registration number 11094117

Type: Enterprise
British Arab Commercial Bank PLC
8-10 Mansion House Place
London, EN - EC4N 8BJ
United Kingdom

General Collateral

(a) all mined iron ore that is stockpiled as of the date hereof on the areas identified in Schedule "A" to the Security Agreement as the "Wishart Stockpile Area" located approximately three kilometers southwest of Schefferville in western Labrador in the Province of Newfoundland and Labrador (the "Stockpile Area") (all such mined iron ore situate on the Stockpile Area as of the date hereof is herein collectively called the "Stockpiled Iron Ore");

(b) all presently owned or held and after acquired deeds, documents, writings, papers and books relating to or being records of the Stockpiled Iron Ore or their proceeds or by which the Stockpiled Iron Ore or the proceeds thereof are or may hereafter be secured, made payable, evidenced or acknowledged, including chattel paper, investment property, instruments and documents of title;

(c) all presently owned or held and after acquired present and future contractual rights and insurance claims, relating to the Stockpiled Iron Ore;

(d) all presently owned or held and after acquired monetary obligations owed to the Debtor arising from any disposition of the Stockpiled Iron Ore including, without limitation, all book accounts, book debts, accounts, debts, dues, claims, choses in action and demands of every nature and kind and in all proceeds thereof (all of which are hereinafter collectively called the "Accounts"); and,

(e) all presently owned or held and after acquired other proceeds derived from any dealing with the Stockpiled Iron Ore.

Additional Information

Full London, UK phone number of the secured party: +44 207 802 5218

Registration Details for Registration Number: 12593992

Province or Territory: Newfoundland and Labrador
Registration Type: PPSA Financing Statement

Registration History

Registration Activity	Registration Number	Date/Time (Atlantic)	Expiry Date	File Number
Original	12593992	2015-01-07 17:22	2019-01-07	SM031407.1

This registration has not been the subject of an Amendment or Global Change. The following registration

information was added by the original registration and has not been deleted.

Debtors

Type: Enterprise
 LABRADOR IRON MINES LIMITED
 220 BAY STREET, SUITE 700
 TORONTO ON M5J 2W4
 Canada

Secured Parties

Type: Enterprise
 LABRADOR CATERING LIMITED PARTNERSHIP
 30 QUEEN'S ROAD
 ST. JOHN'S NL A1C 2A5
 Canada

Type: Enterprise
 LABRADOR CATERING INC.
 30 QUEEN'S ROAD
 ST. JOHN'S NL A1C 2A5
 Canada

General Collateral

A SECURITY INTEREST IS TAKEN IN THE DEBTOR'S PRESENT AND AFTER ACQUIRED GOODS AND EQUIPMENT DESCRIBED BELOW:

A. FULLY EQUIPPED, TURN-KEY, KITCHEN, DINING, RECREATION AND DORMITORY FACILITIES FOR UP TO 71 BEDROOMS CONSISTING OF:

1. SIX UNIT MODULAR KITCHEN, DINER, RECREATIONAL COMPLEX, MANUFACTURED BY KENT HOMES, EACH 12' X 60' AND HAVING SERIAL NUMBERS 91374, 91375, 91376, 91377, 91378 AND 91379,
2. 10 UNIT WORKERS' DORMITORY, MANUFACTURED BY KENT HOMES, EACH 58' X 12' AND HAVING SERIAL NUMBERS 91215, 91216, 91217, 91218, 91219, 91220, 91221, 91222, 91223 AND 91224, AND
3. 10 UNIT WORKERS' DORMITORY, MANUFACTURED BY KENT HOMES, EACH 58' X 12' AND HAVING SERIAL NUMBERS 91225, 91226, 91227, 91228, 91229, 91230, 91231, 91232, 91233 AND 91234, AND

B. FULLY EQUIPPED DORMITORY FACILITIES FOR UP TO SEVENTY-THREE (73) BEDROOMS CONSISTING OF:

1. 20 UNIT WORKERS' DORMITORY, MANUFACTURED BY KENT HOMES, EACH 58' X 12' AND HAVING SERIAL NUMBERS 91589, 91590, 91591, 91592, 91593, 91594, 91596, 91597, 91598 AND 91601, 91602, 91603, 91604, 91605, 91606, 91607, 91608, 91609, 91610, AND 91611
2. STAIR MODULES:
 - 91599 STAIR MODULES (3) 1ST FLOOR
 - 91600 STAIR MODULES (3) 2ND FLOOR
 - 91601 STAIR MODULES (3) 1ST FLOOR
 - 91612 STAIR MODULES (3) 2ND FLOOR, AND
3. 2 UNIT KITCHEN/DINER EXTENSION MANUFACTURED BY KENT HOMES AND HAVING SERIAL NUMBERS 91630 AND 91631, AND

C. ANY AND ALL SUPPLEMENTARY EQUIPMENT NECESSARY TO OPERATE THE EQUIPMENT DESCRIBED IN A AND B, ABOVE, AND

D. ALL ATTACHMENTS, ACCESSORIES, REPLACEMENTS, SUBSTITUTIONS AND IMPROVEMENTS TO THE EQUIPMENT DESCRIBED IN A, B AND C, ABOVE, AND

E. ALL PROCEEDS OF THE FOREGOING THAT ARE PERSONAL PROPERTY IN ANY FORM, INCLUDING GOODS, DOCUMENTS OF TITLE, CHATTEL PAPER, SECURITIES, INSTRUMENTS, MONEY, ACCOUNTS, INVESTMENT PROPERTY, INVENTORY, EQUIPMENT AND INTANGIBLES.

Serial Numbered Collateral

Serial Number	Collateral Type	Description	Added By	Deleted By
91374	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91375	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91376	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91377	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91378	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91379	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91215	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91216	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91217	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91218	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91219	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91220	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91221	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91222	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91223	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91224	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91225	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91226	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91227	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91228	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91229	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91230	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	

Newfoundland and Labrador PPRS Search Result Report

12113385

Serial Number	Collateral Type	Description	Added By	Deleted By
91231	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91232	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91233	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91234	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91589	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91590	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91591	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91592	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91593	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91594	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91596	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91597	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91598	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91601	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91602	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91603	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91604	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91605	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91606	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91607	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91608	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91609	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91610	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91611	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91589	Mobile Home	STAIR MODULE	12593992	
91600	Mobile Home	STAIR MODULE	12593992	
91601	Mobile Home	STAIR MODULE	12593992	
91612	Mobile Home	STAIR MODULE	12593992	
91630	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	
91631	Mobile Home	MANUFACTURED BY KENT HOMES	12593992	

139

Serial Number	Collateral Type	Description	Added By	Deleted By
		HOMES		

END OF REPORT

NATURAL RESOURCES (MINING) SEARCH – SCHEFFERVILLE MINES INC.**March 9, 2015**

I attended the Natural Resources Building – Mining Division, and reviewed the following:

1. Surface Leases – Volume 2 of 2.
2. Mining Leases – Volume 4 of 4.
3. Transfers/Mortgages – Volume 25.
4. Confidential Registrations – Volume 31-40.

All volumes were clear and contained no encumbrances, security interest or other registrations in the name of Schefferville Mines Inc.

This report lists registrations in the Personal Property Registry that match the following search criteria:

Province or Territory Searched:	Newfoundland and Labrador
Type of Search:	Debtors (Enterprise)
Search Criteria:	Schefferville Mines Inc.
Date and Time of Search:	2015-03-09 11:59 (Atlantic)
Transaction Number:	12113394
Searched By:	N176912

The following table lists records that match the Debtors (Enterprise) you specified.

Exact	Included	Original Registration Number	Enterprise Name	Place

An '*' in the 'Exact' column indicates that the Debtor (Enterprise) exactly matches the search criteria.

An '*' in the 'Included' column indicates that the registration's details are included within the Search Result Report.

0 registration(s) contained information that **exactly** matched the search criteria you specified.

0 registration(s) contained information that **closely** matched the search criteria you specified.

When reviewing the registrations below, note that a registration which has expired or been discharged within the last 30 days can still be re-registered by the secured party.

All registration date/time values are stated in Atlantic Time.

For more information concerning the Personal Property Registry, go to www.acol.ca

END OF REPORT

142



Schedule A
Register of Personal and Movable Real Rights (Quebec) ("RPMRR")

Date of search: March 9, 2015
Date and time of certification of the RPMRR: March 9, 2015 at 9:00 a.m.

Name(s) searched:

➤ Labrador Iron Mines Holdings Limited

SECTION I – REGISTRATIONS WITH RESPECT TO HYPOTHECS AND ASSIGNMENTS

	Registration No. Reg. Date & Time Expiry Date Date: YY/MM/DD	Parties	Nature of Registration Amount (Cdn \$) Interest Rate	Collateral Affected (summary only)	Ancillary Registrations & Comments
1.	Nil	Nil	Nil	Nil	Nil

IMPORTANT DISCLAIMERS:

A) The information set forth in this search results summary does not constitute (and should not be construed as) a legal opinion of BCF LLP. For more information in connection with each registration summary, please refer to the underlying computer printouts from the RPMRR corresponding to such registration.

B) We draw to your attention that the RPMRR is a computer data base that may suffer from sporadic glitches and manual transcription errors of the registrar, which can give rise to uncertainties. Although rare, there have been instances where a proper search of the RPMRR has failed to disclose all entries.

143

SECTION II – REGISTRATIONS WITH RESPECT TO LEASES, LEASING CONTRACTS AND INSTALMENT SALES

	Registration No. Reg. Date & Time Expiry Date Date: YY/MM/DD	Parties	Nature of Registration	Collateral Affected (summary only)	Ancillary Registrations & Comments
1.	Nil	Nil	Nil	Nil	Nil

H
H
H
1



Schedule B
Bank of Canada (Province of Quebec)

Date of search: March 9, 2015
Current as at: March 9, 2015 at 5:24 a.m. PDT

Name(s) searched:

- Labrador Iron Mines Holdings Limited

Search results:

- Clear

Schedule C
Penal, Civil Actions and Appeals

We have conducted searches at the computerised Index of Penal, Civil Actions and Appeals (Plumitif) for all judicial districts for the Province of Quebec, in the Court of Quebec and the Superior Court jurisdictions only, from the various dates indicated below to the date of our search. Those searches did not disclose any civil actions, suits or procedure, before or by any civil court of Quebec to which any of the entities subject to such searches is a party or to which its property is subject, other than those listed below.

INDEX OF CIVIL ACTIONS AND APPEALS (PLUMITIF)

<u>Judicial District</u>	<u>Date of Computerisation</u>
Abitibi	1983
Alma	November 1985
Arthabaska	September 1985
Baie-Comeau	November 1985
Beauce	October 1985
Beauharnois	November 1985
Bedford	September 1985
Bonaventure	September 1985
Charlevoix	November 1985
Chicoutimi	1983
Drummond	November 1985
Frontenac	November 1985
Gaspé	September 1985
Hull	1983
Iberville	August 1985
Joliette	1982
Kamouraska	1982
Labelle	October 1985
Laval	1981
Longueuil	1978
Mingan	1983
Montmagny	November 1985
Montreal	1975
Quebec	1978
Richelieu	October 1985

IMPORTANT DISCLAIMERS

We draw to your attention that the Plumitif is a computer data base that may suffer from sporadic glitches and manual transcription errors of the registrar, which can give rise to uncertainties

<u>Judicial District</u>	<u>Date of Computerisation</u>
Rimouski	November 1985
Roberval	November 1985
Rouyn-Noranda	October 1985
Saint-Hyacinthe	1983
Saint-Maurice	November 1985
Saint-François	1983
Terrebonne	1975
Trois-Rivières	1983

Date of search: March 9, 2015

Name(s) searched:

- Labrador Iron Mines Holdings Limited

Search results:

Plaintiff/Petitioner	Defendant/Respondent	Nature and Amount of Action	Court Case Number
Josee Lafreniere	Labrador Iron Mines (<i>sic</i>) (220 Bay Street, Toronto, Ontario M5J 2W4)	Nature: Account Amount: \$3,764.25	Initial: 610-32-000996-107 Subsequent: 652-32-000536-103 Proceedings introduced on May 10, 2010 Case transferred on September 15, 2010 Last entry: February 15, 2011

1471



Schedule D
Office of the Superintendent of Bankruptcy Canada

We have caused to be conducted a name search at the public record kept by the Superintendent of Bankruptcy for all the Districts and Divisions in Canada.

Date of search: March 9, 2015

Current as at: March 4, 2015

Name(s) searched:

- Labrador Iron Mines Holdings Limited

Search results:

- Clear

148



Schedule E
Register of the Companies' Creditors Arrangement Act ("CCAA")

We have looked up the CCAA register at the Office of the Superintendent of Bankruptcy Canada which lists all companies that have been granted protection under the CCAA since September 18, 2009.

Date of search: March 9, 2015

Name(s) searched:

- Labrador Iron Mines Holdings Limited

Search results:

- The name(s) searched did not appear on the CCAA list.

Schedule A
Register of Personal and Movable Real Rights (Quebec) (“RPMRR”)

Date of search: March 9, 2015
Date and time of certification of the RPMRR: March 9, 2015 at 9:00 a.m.

Name(s) searched:

- Labrador Iron Mines Limited

Predecessors/previous names:

- 1239193 Ontario Ltd. *(no registrations)*
- 1735081 Ontario Limited *(no registrations)*
- Parys Mountain Mines Limited *(no registrations)*

IMPORTANT DISCLAIMERS:

A) The information set forth in this search results summary does not constitute (and should not be construed as) a legal opinion of BCF LLP. For more information in connection with each registration summary, please refer to the underlying computer printouts from the RPMRR corresponding to such registration.

B) We draw to your attention that the RPMRR is a computer data base that may suffer from sporadic glitches and manual transcription errors of the registrar, which can give rise to uncertainties. Although rare, there have been instances where a proper search of the RPMRR has failed to disclose all entries.

SECTION I – REGISTRATIONS WITH RESPECT TO HYPOTHECS AND ASSIGNMENTS

	Registration No. Reg. Date & Time Expiry Date Date: YY/MM/DD	Parties	Nature of Registration Amount (Cdn \$) Interest Rate	Collateral Affected (summary only)	Ancillary Registrations & Comments
1.	13-0145232-0001 2013-02-27 09:00 2023-02-22	Holder: Sept-Îles Port Authority Grantor: Labrador Iron Mines Limited	Conventional hypothec without delivery \$8,000,000 25% per annum	<p>1. All of the Constituant's rolling stock owned as of February 15, 2013 consisting of railcars used by the Constituant for the transportation of its iron ore between the Province of Québec and the Province of Newfoundland and Labrador (the "Charged Property"), including, without limiting the charges arising by the mere operation of law:</p> <p>a) the product of any sale, lease, rental or other disposition of any Charged Property, as well as any claims resulting from such operation;</p> <p>b) the proceeds, fruits and revenues of the Charged Property, including all insurance or expropriation indemnities payable with respect to such property;</p> <p>c) all titles, documents, registers, invoices and accounts evidencing the Charged Property or relating thereto, on whatever medium and no matter how they may be accessible, whether in writing, graphically, in sound, visually, computerized or otherwise;</p> <p>d) in the case of claims, those resulting from insurance contracts on the Constituant's other property; and</p> <p>e) the property (including money and non-cash proceeds) that replaces that which is already charged by the hypothec created under the Deed, to the extent the former is not otherwise hypothecated pursuant to the Deed or by operation of law.</p> <p>2. Definitions</p> <p>"Constituant" means Labrador Iron Mines Limited and includes any successor thereof and permitted assigns.</p> <p>"Deed" means the deed of movable hypothec between the Constituant and the Titulaire dated February 15, 2013.</p> <p>"Titulaire" means Administration Portuaire de Sept-Îles / Sept-Îles Port Authority and includes any successor thereof and permitted assigns.</p>	

SECTION II – REGISTRATIONS WITH RESPECT TO LEASES, LEASING CONTRACTS AND INSTALMENT SALES

	Registration No. Reg. Date & Time Expiry Date Date: YY/MM/DD	Parties	Nature of Registration	Collateral Affected (summary only)	Ancillary Registrations & Comments
1.	Nil	Nil	Nil	Nil	Nil



Schedule B
Bank of Canada (Province of Quebec)

Date of search: March 9, 2015
Current as at: March 9, 2015 at 5:25 a.m. PDT

Name(s) searched:

- Labrador Iron Mines Limited
- 1239193 Ontario Ltd.
- 1735081 Ontario Limited
- Parys Mountain Mines Limited

Search results:

- Clear

Schedule C
Penal, Civil Actions and Appeals

We have conducted searches at the computerised Index of Penal, Civil Actions and Appeals (Plumitif) for all judicial districts for the Province of Quebec, in the Court of Quebec and the Superior Court jurisdictions only, from the various dates indicated below to the date of our search. Those searches did not disclose any civil actions, suits or procedure, before or by any civil court of Quebec to which any of the entities subject to such searches is a party or to which its property is subject, other than those listed below.

INDEX OF CIVIL ACTIONS AND APPEALS (PLUMITIF)

<u>Judicial District</u>	<u>Date of Computerisation</u>
Abitibi	1983
Alma	November 1985
Arthabaska	September 1985
Baie-Comeau	November 1985
Beauce	October 1985
Beauharnois	November 1985
Bedford	September 1985
Bonaventure	September 1985
Charlevoix	November 1985
Chicoutimi	1983
Drummond	November 1985
Frontenac	November 1985
Gaspé	September 1985
Hull	1983
Iberville	August 1985
Joliette	1982
Kamouraska	1982
Labelle	October 1985
Laval	1981
Longueuil	1978
Mingan	1983
Montmagny	November 1985
Montreal	1975
Quebec	1978
Richelieu	October 1985

IMPORTANT DISCLAIMERS

We draw to your attention that the Plumitif is a computer data base that may suffer from sporadic glitches and manual transcription errors of the registrar, which can give rise to uncertainties

<u>Judicial District</u>	<u>Date of Computerisation</u>
Rimouski	November 1985
Roberval	November 1985
Rouyn-Noranda	October 1985
Saint-Hyacinthe	1983
Saint-Maurice	November 1985
Saint-François	1983
Terrebonne	1975
Trois-Rivières	1983

Date of search: March 9, 2015

Name(s) searched:

- Labrador Iron Mines Limited
- 1239193 Ontario Ltd.
- 1735081 Ontario Limited
- Parys Mountain Mines Limited

Search results:

Plaintiff/Petitioner	Defendant/Responent	Nature and Amount of Action	Court Case Number
Major Drilling Group International Inc.	Labrador Iron Mines Limited	Nature: Account Amount: \$2,334,000	500-17-086083-154 Proceedings initiated on January 5, 2015 Last entry: February 11, 2015
Josee Lafreniere	Labrador Iron Mines (<i>sic</i>) (220 Bay Street, Toronto, Ontario M5J 2W4)	Nature: Account Amount: \$3,764.25	Initial: 610-32-000996-107 Subsequent: 652-32-000536-103 Proceedings introduced on May 10, 2010 Case transferred on September 15, 2010 Last entry: February 15, 2011



Schedule D
Office of the Superintendent of Bankruptcy Canada

We have caused to be conducted a name search at the public record kept by the Superintendent of Bankruptcy for all the Districts and Divisions in Canada.

Date of search: March 9, 2015

Current as at: March 4, 2015

Name(s) searched:

- Labrador Iron Mines Limited
- 1239193 Ontario Ltd.
- 1735081 Ontario Limited
- Parys Mountain Mines Limited

Search results:

- Clear



Schedule E
Register of the Companies' Creditors Arrangement Act ("CCAA")

We have looked up the CCAA register at the Office of the Superintendent of Bankruptcy Canada which lists all companies that have been granted protection under the CCAA since September 18, 2009.

Date of search: March 9, 2015

Name(s) searched:

- Labrador Iron Mines Limited
- 1239193 Ontario Ltd.
- 1735081 Ontario Limited
- Parys Mountain Mines Limited

Search results:

- The name(s) searched did not appear on the CCAA list.

157



Schedule A
Register of Personal and Movable Real Rights (Quebec) (“RPMRR”)

Date of search: March 9, 2015
Date and time of certification of the RPMRR: March 9, 2015 at 9:00 a.m.

Name(s) searched:

- Schefferville Mines Inc.
- Mines Schefferville Inc.

Previous names:

- Qfer Ltée *(no registrations)*
- 7234554 Canada Inc. *(no registrations)*

IMPORTANT DISCLAIMERS:

A) The information set forth in this search results summary does not constitute (and should not be construed as) a legal opinion of BCF LLP. For more information in connection with each registration summary, please refer to the underlying computer printouts from the RPMRR corresponding to such registration.

B) We draw to your attention that the RPMRR is a computer data base that may suffer from sporadic glitches and manual transcription errors of the registrar, which can give rise to uncertainties. Although rare, there have been instances where a proper search of the RPMRR has failed to disclose all entries.

SECTION I – REGISTRATIONS WITH RESPECT TO HYPOTHECS AND ASSIGNMENTS

	Registration No. Reg. Date & Time Expiry Date Date: YY/MM/DD	Parties	Nature of Registration Amount (Cdn \$) Interest Rate	Collateral Affected (summary only)	Ancillary Registrations & Comments
1.	13-0335573-0001 2013-04-26 14:57 2023-04-26	Holder: RB Metalloyd Ltd. Grantor: Schefferville Mines Inc.	Conventional hypothec without delivery \$40,000,000 15% per annum	All of the Debtor's right, title and interest in and to: (a) all mined iron ore that is stockpiled as April 26, 2013 (the date of the Agreement) on the area identified in Schedule "A" thereof as the Ferriman "C" and "D" Stockpiles located approximately three kilometres northwest of Schefferville in the Province of Quebec (the "Stockpile Area") (all such mined iron ore situate on the Stockpile Area as of the date of the Agreement is herein collectively called the "Stockpiled Iron Ore"); (b) all presently owned or held and after acquired deeds, documents, writings, papers and books relating to or being records of the Stockpiled Iron Ore or their proceeds or by which the Stockpiled Iron Ore or the proceeds thereof are or may hereafter be secured, made payable, evidenced or acknowledged, including chattel paper, investment property, instruments and documents of title; (c) all presently owned or held and after acquired present and future contractual rights and insurance claims, relating to the Stockpiled Iron Ore; (d) all presently owned or held and after acquired monetary obligations owed to the Debtor arising from any disposition of the Stockpiled Iron Ore including, without limitation, all book accounts, book debts, accounts, debts, dues, claims, choses in action and demands of every nature and kind and in all proceeds thereof; and (e) all presently owned or held and after acquired other proceeds derived from any dealing with the Stockpiled Iron Ore. For the purposes hereof, the following terms shall have the following meanings: "Agreement" means the agreement creating the hypothec published hereby and described under the Section entitled "Référence à l'acte constitutif" below; and "Debtor" means Schefferville Mines Inc. / Mines Schefferville Inc.	

159

SECTION II – REGISTRATIONS WITH RESPECT TO LEASES, LEASING CONTRACTS AND INSTALMENT SALES

	Registration No. Reg. Date & Time Expiry Date Date: YY/MM/DD	Parties	Nature of Registration	Collateral Affected (summary only)	Ancillary Registrations & Comments
1.	Nil	Nil	Nil	Nil	Nil

166b



Schedule B
Bank of Canada (Province of Quebec)

Date of search: March 9, 2015

Current as at: March 9, 2015 at 5:29 a.m. PDT

Name(s) searched:

- Schefferville Mines Inc.
- Mines Schefferville Inc.
- Qfer Ltée
- 7234554 Canada Inc.

Search results:

- Clear

Schedule C
Penal, Civil Actions and Appeals

We have conducted searches at the computerised Index of Penal, Civil Actions and Appeals (Plumitif) for all judicial districts for the Province of Quebec, in the Court of Quebec and the Superior Court jurisdictions only, from the various dates indicated below to the date of our search. Those searches did not disclose any civil actions, suits or procedure, before or by any civil court of Quebec to which any of the entities subject to such searches is a party or to which its property is subject, other than those listed below.

INDEX OF CIVIL ACTIONS AND APPEALS (PLUMITIF)

<u>Judicial District</u>	<u>Date of Computerisation</u>
Abitibi	1983
Alma	November 1985
Arthabaska	September 1985
Baie-Comeau	November 1985
Beauce	October 1985
Beauharnois	November 1985
Bedford	September 1985
Bonaventure	September 1985
Charlevoix	November 1985
Chicoutimi	1983
Drummond	November 1985
Frontenac	November 1985
Gaspé	September 1985
Hull	1983
Iberville	August 1985
Joliette	1982
Kamouraska	1982
Labelle	October 1985
Laval	1981
Longueuil	1978
Mingan	1983
Montmagny	November 1985
Montreal	1975
Quebec	1978
Richelieu	October 1985

IMPORTANT DISCLAIMERS

We draw to your attention that the Plumitif is a computer data base that may suffer from sporadic glitches and manual transcription errors of the registrar, which can give rise to uncertainties

Judicial District

Rimouski
Roberval
Rouyn-Noranda
Saint-Hyacinthe
Saint-Maurice
Saint-François
Terrebonne
Trois-Rivières

Date of Computerisation

November 1985
November 1985
October 1985
1983
November 1985
1983
1975
1983

Date of search: March 9, 2015

Name(s) searched:

- Schefferville Mines Inc.
- Mines Schefferville Inc.
- Qfer Ltée
- 7234554 Canada Inc.

Search results:

- Clear

163



Schedule D
Office of the Superintendent of Bankruptcy Canada

We have caused to be conducted a name search at the public record kept by the Superintendent of Bankruptcy for all the Districts and Divisions in Canada.

Date of search: March 9, 2015

Current as at: March 4, 2015

Name(s) searched:

- Schefferville Mines Inc.
- Mines Schefferville Inc.
- Qfer Ltée
- 7234554 Canada Inc.

Search results:

- Clear

164
791



Schedule E
Register of the Companies' Creditors Arrangement Act ("CCAA")

We have looked up the CCAA register at the Office of the Superintendent of Bankruptcy Canada which lists all companies that have been granted protection under the CCAA since September 18, 2009.

Date of search: March 9, 2015

Name(s) searched:

- Schefferville Mines Inc.
- Mines Schefferville Inc.
- Qfer Ltée
- 7234554 Canada Inc.

Search results:

- The name(s) searched did not appear on the CCAA list.

This is **Exhibit "F"** referred to in
the Affidavit of John F. Kearney sworn
before me this 31st day of March , 2015


A Commissioner for Taking Affidavits

Court File No. _____

**ONTARIO
SUPERIOR COURT OF JUSTICE**

COMMERCIAL LIST

**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF LABRADOR IRON MINES
HOLDINGS LIMITED, LABRADOR IRON MINES
LIMITED and SCHEFFERVILLE MINES INC.**

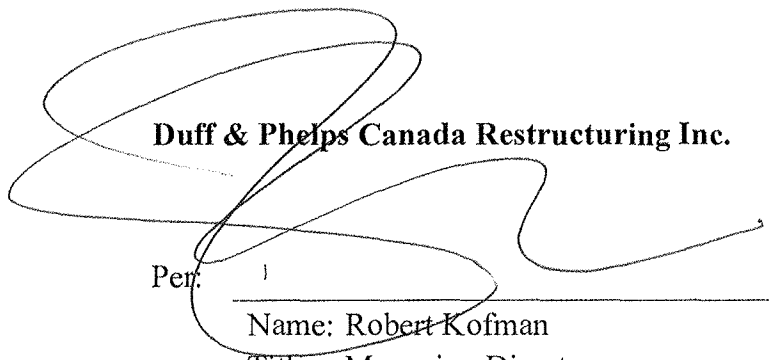
Applicants

MONITOR'S CONSENT

Duff & Phelps Canada Restructuring Inc. hereby consents to act as Court-appointed monitor of Labrador Iron Mines Holdings Limited, Labrador Iron Mines Limited and Schefferville Mines Inc. in respect of these proceedings.

Dated: April _____, 2015

Duff & Phelps Canada Restructuring Inc.



Per: _____

Name: Robert Kofman

Title: Managing Director

167

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
S.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
LABRADOR IRON MINES HOLDINGS LIMITED, LABRADOR IRON MINES
LIMITED and SCHEFFERVILLE MINES INC.

Court File No: _____

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

CONSENT OF THE MONITOR

GOODMANS LLP
Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Melaney J. Wagner LSUC# 44063B
mwagner@goodmans.ca
Christopher G. Armstrong LSUC# 55148B
carmstrong@goodmans.ca

Tel: (416) 979-2211
Fax: (416) 979-1234

Lawyers for the Monitor, Duff & Phelps Canada
Restructuring Inc.

Tab 3

TAB A

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE REGIONAL)
SENIOR JUSTICE MORAWETZ)
)

THURSDAY, THE 2ND
DAY OF APRIL, 2015

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF LABRADOR IRON MINES HOLDINGS
LIMITED, LABRADOR IRON MINES LIMITED and
SCHEFFERVILLE MINES INC. (the "Applicants")

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors
Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330
University Avenue, Toronto, Ontario.

ON READING the affidavit of John Kearney sworn March 31, 2015 and the Exhibits
thereto (the "Kearney Affidavit"), and the pre-filing report of the proposed Monitor, Duff &
Phelps Canada Restructuring Inc. ("Duff & Phelps"), and on hearing the submissions of counsel
for the Applicants, and the Monitor, and on reading the consent of Duff & Phelps to act as the
Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "Business") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicants shall be entitled to continue to utilize the central cash management system currently in place as described in the Kearney Affidavit or replace it with another substantially similar central cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or

legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that to the extent any Applicant (each such Applicant, a “Recipient Applicant”) receives an inter-company loan, other transfer of money (including, without limitation, as a result of the use of the Applicants’ cash management system) or goods or services from another Applicant (each such Applicant, a “Protected Applicant”) on or after the date of this order, then the Protected Applicant shall be entitled to the benefit of and is hereby granted a charge (an “Intercompany Charge”) on the current and future assets, undertakings and properties of every nature and kind whatsoever and wherever situate, including all proceeds thereof, of the Recipient Applicant (the “Recipient Applicant Property”) in an amount equal to the net amount owing (calculated with reference only to the period on and after the date of this order) by the Recipient Applicant to the Protected Applicant as may exist from time to time. The Intercompany Charge in favour of any Protected Applicant shall have the priority set out in paragraphs 33 and 35 hereof.

7. THIS COURT ORDERS that the Applicants are permitted but not directed to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

8. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicants are permitted but not directed to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), care and maintenance, and security services, and such transfer payments to the Applicants' affiliates as are reasonably necessary, in consultation with the Monitor, for the preservation of the Property or the Business or in furtherance of the Restructuring (as defined below); and,
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

9. THIS COURT ORDERS that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted or which are deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services taxes or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of

municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

10. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice monthly, on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. THIS COURT ORDERS that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. THIS COURT ORDERS that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as defined below), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of redundant or non-material assets not exceeding \$250,000 in any one transaction or \$1,000,000, in the aggregate, subject to the prior approval of the Monitor, or otherwise in accordance with further order of this Court;

- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate; and
- (c) pursue all avenues of refinancing of their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "Restructuring").

13. THIS COURT ORDERS that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaim or resiliate the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

14. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

15. THIS COURT ORDERS that until and including May 1, 2015, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

16. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Applicants to carry on any business which they are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

17. THIS COURT ORDERS that during the Stay Period, except with the written consent of the Applicants and the Monitor, or leave of this Court, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants or, to the extent that it affects the Business or Property.

CONTINUATION OF SERVICES

18. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicants, or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid in accordance with normal payment practices or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

19. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

20. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

21. THIS COURT ORDERS that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

22. THIS COURT ORDERS that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$300,000, as security for the indemnity provided in paragraph 21 of this Order. The Directors' Charge shall have the priority set out in paragraphs 33 and 35 herein.

23. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the directors and officers of the Applicants shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 21 of this Order, and for the purpose of determining the sufficiency of insurance coverage, the directors and officers shall, subject to the terms of the policy and any statutory or other discretion of a court to apportion the insurance, have the ability to apply the insurance amongst competing claims, in their discretion.

APPOINTMENT OF MONITOR

24. THIS COURT ORDERS that Duff & Phelps is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants, with the powers and obligations set out in the CCAA or set forth herein, and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

25. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicants in their preparation of cash flow statements and reporting required by this court;
- (d) undertake a process for determining claims against the Applicants;
- (e) advise the Applicants in their development of a Plan;
- (f) assist the Applicants, to the extent required by them, with the holding and administering of creditors' or shareholders' meetings for voting on a Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

26. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

27. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Transportation of Dangerous Goods Act*, the *Environmental Protection Act* (Newfoundland and Labrador), the *Environment Quality Act* (Quebec), the *Water Resources Act* (Newfoundland and Labrador), the *Occupational Health and Safety Act* (Newfoundland and Labrador), the *Act Respecting Occupational Health and Safety* (Quebec), and regulations under any such legislation (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

28. THIS COURT ORDERS that that the Monitor may provide creditors of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

29. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

30. THIS COURT ORDERS that the Monitor, counsel to the Monitor, counsel to the Applicants and counsel to the Applicants' directors and officers shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, counsel for the Applicants and counsel to the Applicants' directors and officers, whether arising prior to, on or after the date of this order, on a monthly basis and, in addition, the Applicants are hereby authorized to have paid or to pay to the Monitor, counsel to the Monitor, and counsel to the Applicants, retainers in the aggregate amount of up to \$135,000, as security for payment of their respective fees and disbursements outstanding from time to time.

31. THIS COURT ORDERS that, if requested by the Applicants, this Court or any interested party, the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

32. THIS COURT ORDERS that the Monitor, counsel to the Monitor, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property in the amount of \$500,000, as security for professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, and outstanding from time to time, both before and after the making of this Order, in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 33 and 35 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

33. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge and the Intercompany Charge (collectively, the "Charges"), as among them, shall be as follows:

First – Administration Charge;

Second – Directors' Charge; and,

Third – Intercompany Charge

34. THIS COURT ORDERS that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

35. THIS COURT ORDERS that each of the Charges shall constitute a charge on the Property (except in the case of the Intercompany Charge, which shall constitute a charge only on the relevant Recipient Applicant Property) and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person, provided that this order shall not operate to subordinate the interests of any secured creditors until they have been given notice of these proceedings and have had an opportunity to respond.

36. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor and the beneficiaries of the Charges, or a further Order of this Court.

37. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the beneficiaries of the Charges shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such application(s); (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the beneficiaries of the Charges shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicants pursuant to this Order or the granting of the Charges do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

38. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

SERVICE AND NOTICE

39. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in *The Globe and Mail* (National Edition; English), *The Telegram* (St. John's, Nfld.; English), and *Le Journal Nord-Côtier* (Sept-Îles, Quebec; French) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

40. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service

of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://www.duffandphelps.com/intl/en-ca/Pages/RestructuringCases.aspx>.

41. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile or other electronic transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery, facsimile or other electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

42. THIS COURT ORDERS that the Applicants or the Monitor may from time to time apply to this Court for advice and directions concerning the discharge of their respective powers and duties under this Order or concerning the interpretation or application of this Order or the conduct of the Restructuring.

43. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

44. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

45. THIS COURT ORDERS that each of the Applicants and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

46. THIS COURT ORDERS that any interested party (including the Applicants and the Monitor) may apply to this Court to vary, amend, supplement or replace this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

47. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

Court File No.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LABRADOR IRON MINES HOLDINGS LIMITED, LABRADOR IRON MINES LIMITED and SCHEFFERVILE MINES INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

INITIAL ORDER

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Barristers

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Lawyers for the Applicants

TAB B

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE _____¹) ~~WEEKDAY~~⁵ THURSDAY⁶, THE #72ND ⁸
)
REGIONAL SENIOR² JUSTICE) DAY OF MONTH⁹ APRIL¹⁰, 20¹¹ YR¹² 2015¹³
_____³ MORAWETZ⁴)

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF [APPLICANT'S NAME] (the
"Applicant"¹⁴ LABRADOR IRON MINES HOLDINGS LIMITED,
LABRADOR IRON MINES LIMITED and SCHEFFERVILLE
MINES INC. (the "Applicants"¹⁵)

INITIAL ORDER

THIS APPLICATION, made by the Applicant¹⁶ Applicants¹⁷, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of [NAME]¹⁸ John Kearney¹⁹ sworn [DATE]²⁰ March 31,
2015²¹ and the Exhibits thereto, ~~and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice~~²² (the "Kearney Affidavit"), and the pre-filing report of the proposed Monitor, Duff & Phelps Canada Restructuring Inc. ("Duff & Phelps")²³, and on hearing the submissions of counsel for [NAMES], ~~no one appearing for [NAME]~~²⁴ although duly served as appears from the affidavit of service of [NAME] sworn [DATE]²⁵ the Applicants, and the Monitor,²⁶ and on reading the consent of [MONITOR'S NAME]²⁷ Duff & Phelps²⁸ to act as the Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated²²⁹ so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the ~~Applicant is a company~~³⁰ Applicants are companies³¹ to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the ~~Applicant~~³² Applicants³³ shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the ~~Applicant~~³⁴ Applicants³⁵ shall remain in possession and control of ~~its~~³⁶ their³⁷ current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the ~~Applicant~~³⁸ Applicants³⁹ shall continue to carry on business in a manner consistent with the preservation of ~~its~~⁴⁰ their⁴¹ business (the "Business") and Property. The ~~Applicant is~~⁴² Applicants are⁴³ authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by ~~it~~⁴⁴ them⁴⁵, with liberty to retain such further Assistants as ~~it deems~~⁴⁶ they deem⁴⁷ reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. ~~[~~⁴⁸ THIS COURT ORDERS that the ~~Applicant~~⁴⁹ Applicants⁵⁰ shall be entitled to continue to utilize the central cash management system³⁵¹ currently in place as described in the Kearney⁵² Affidavit of ~~[NAME]~~ sworn ~~[DATE]~~⁵³ or replace it with another substantially similar central cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire

into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.]⁵⁴

6. ⁵⁵THIS COURT ORDERS that to the extent any Applicant (each such Applicant, a “Recipient Applicant”) receives an inter-company loan, other transfer of money (including, without limitation, as a result of the use of the Applicants’ cash management system) or goods or services from another Applicant (each such Applicant, a “Protected Applicant”) on or after the date of this order, then the Protected ⁵⁶Applicant shall be entitled⁵⁷ to the benefit of and is hereby granted a charge (⁵⁸an “Intercompany Charge”) on the current and future assets, undertakings and properties of every nature and kind whatsoever and wherever situate, including all proceeds thereof, of the Recipient Applicant (the “Recipient Applicant Property”) in an amount equal to the net amount owing (calculated with reference only to the period on and after the date of this order) by the Recipient Applicant to the Protected Applicant as may exist from time to time. The Intercompany Charge in favour of any Protected Applicant⁵⁹ shall have the priority set out in paragraphs ⁶⁰33 and 35 hereof.⁶¹

7. ⁶²THIS COURT ORDERS that the Applicant shall be entitled⁶³ Applicants are permitted⁶⁴ but not required⁶⁵ directed⁶⁶ to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

- (b) the fees and disbursements of any Assistants retained or employed by the Applicant⁶⁷ Applicants⁶⁸ in respect of these proceedings, at their standard rates and charges.

8. ~~7.~~⁶⁹ THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant ~~shall be entitled~~⁷⁰ Applicants are permitted⁷¹ but not required⁷² directed⁷³ to pay all reasonable expenses incurred by the Applicant⁷⁴ Applicants⁷⁵ in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), care and⁷⁶ maintenance and security services; and⁷⁷ and security services, and such transfer payments to the Applicants' affiliates as are reasonably necessary, in consultation with the Monitor, for the preservation of the Property or the Business or in furtherance of the Restructuring (as defined below); and.⁷⁸
- (b) payment for goods or services actually supplied to the Applicant⁷⁹ Applicants⁸⁰ following the date of this Order.

9. ~~8.~~⁸¹ THIS COURT ORDERS that the Applicant⁸² Applicants⁸³ shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted or which are deducted⁸⁴ from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services taxes⁸⁵ or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant⁸⁶ Applicants⁸⁷ in connection with the sale of goods and services by the Applicant⁸⁸ Applicants⁸⁹, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes

were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the ~~Applicant~~⁹⁰ Applicants⁹¹.

10. ~~9.~~⁹² THIS COURT ORDERS that until a real property lease is disclaimed ~~†~~⁹³ or resiliated^{94, 495} in accordance with the CCAA, the ~~Applicant~~⁹⁶ Applicants⁹⁷ shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the ~~Applicant~~⁹⁸ Applicants⁹⁹ and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice⁻¹⁰⁰ monthly ~~in equal payments~~^{101, 102} on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. ~~10.~~¹⁰³ THIS COURT ORDERS that, except as specifically permitted herein, the ~~Applicant~~¹⁰⁴ Applicants are¹⁰⁵ hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the ~~Applicant~~¹⁰⁶ Applicants¹⁰⁷ to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. ~~11.~~¹⁰⁸ THIS COURT ORDERS that the ~~Applicant~~¹⁰⁹ Applicants¹¹⁰ shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as ~~hereinafter~~¹¹¹ defined below¹¹²), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its¹¹³ their¹¹⁴ business or operations, f¹¹⁵ and to dispose of redundant or non-material assets not exceeding \$¹¹⁶ ~~117~~ 250,000¹¹⁸ in any one transaction or \$¹¹⁹ ~~120~~ 1,000,000¹²¹ in the aggregate¹²² f¹²³ subject to the prior approval of the Monitor, or otherwise in accordance with further order of this Court¹²⁴;
- (b) f¹²⁵ terminate the employment of such of ¹²⁶ ~~its~~ their¹²⁸ employees or temporarily lay off such of ¹²⁹ ~~its~~ their¹³⁰ employees as ¹³² ~~it deems~~ they deem¹³³ ¹³⁴ appropriate¹³⁵ f¹³⁶; and
- (c) pursue all avenues of refinancing of its¹³⁷ their¹³⁸ Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant¹³⁹ Applicants¹⁴⁰ to proceed with an orderly restructuring of the Business (the "Restructuring").

13. ~~12.~~¹⁴¹ THIS COURT ORDERS that the Applicant¹⁴² Applicants¹⁴³ shall provide each of the relevant landlords with notice of the Applicant's¹⁴⁴ Applicants'¹⁴⁵ intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's¹⁴⁶ Applicants'¹⁴⁷ entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant¹⁴⁸ Applicants¹⁴⁹, or by further Order of this Court upon application by the Applicant¹⁵⁰ Applicants¹⁵¹ on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant ~~disclaims [or resiliates]~~¹⁵² Applicants disclaim or resiliate¹⁵³ the lease governing such leased premises in accordance with Section 32 of the CCAA, ~~it~~¹⁵⁴ they¹⁵⁵ shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer f¹⁵⁶ ~~or resiliation~~¹⁵⁷ f¹⁵⁸ of the lease shall be without prejudice to the Applicant's¹⁵⁹ Applicants'¹⁶⁰ claim to the fixtures in dispute.

14. ~~13.~~¹⁶¹ THIS COURT ORDERS that if a notice of disclaimer ~~{~~¹⁶² or resiliation ~~}~~¹⁶³¹⁶⁴ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~{~~¹⁶⁵ or resiliation ~~}~~¹⁶⁶¹⁶⁷, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the ~~Applicant~~¹⁶⁸ Applicants¹⁶⁹ and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~{~~¹⁷⁰ or resiliation ~~}~~¹⁷¹¹⁷², the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the ~~Applicant~~¹⁷³ Applicants¹⁷⁴ in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

15. ~~14.~~¹⁷⁵ THIS COURT ORDERS that until and including ~~{DATE—MAX. 30-~~
~~DAYS}~~¹⁷⁶, May 1, 2015¹⁷⁷ or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the ~~Applicant~~¹⁷⁸ Applicants¹⁷⁹ or the Monitor, or affecting the Business or the Property, except with the written consent of the ~~Applicant~~¹⁸⁰ Applicants¹⁸¹ and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the ~~Applicant~~¹⁸² Applicants¹⁸³ or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

16. ~~15.~~¹⁸⁴ THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the ~~Applicant~~¹⁸⁵ Applicants¹⁸⁶ or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~¹⁸⁷ Applicants¹⁸⁸ and the Monitor, or leave of this Court, provided that nothing in this Order shall¹⁸⁹ (i) empower the ~~Applicant~~¹⁹⁰ Applicants¹⁹¹ to carry on any business which the ~~Applicant is~~¹⁹² they are¹⁹³ not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a

regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

17. ~~16.~~¹⁹⁴ THIS COURT ORDERS that during the Stay Period, except with the written consent of the¹⁹⁵ Applicants¹⁹⁶ and the Monitor, or leave of this Court¹⁹⁷, ¹⁹⁸ no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant,¹⁹⁹ ~~except with the written consent of the~~²⁰⁰ ~~Applicant~~²⁰¹ ~~and the Monitor, or leave of this Court~~²⁰² Applicants or, to the extent that it affects the Business or Property²⁰³.

CONTINUATION OF SERVICES

18. ~~17.~~²⁰⁴ THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant²⁰⁵ Applicants²⁰⁶ or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business ~~or the Applicant~~²⁰⁷, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant²⁰⁸ Applicants²⁰⁹, and that the Applicant²¹⁰ Applicants²¹¹ shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid ~~by the Applicant~~²¹² in accordance with normal payment practices ~~of the Applicant~~²¹³ or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant²¹⁴ Applicants²¹⁵ and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

19. ~~18.~~²¹⁶ THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or

licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant²¹⁷ Applicants²¹⁸. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁶²¹⁹

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

20. ~~19.~~²²⁰ THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant²²¹ Applicants²²² with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant²²³ Applicants²²⁴ whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant²²⁵ Applicants²²⁶, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

21. ~~20.~~²²⁷ THIS COURT ORDERS that the Applicant²²⁸ Applicants²²⁹ shall indemnify its²³⁰ their²³¹ directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant²³² Applicants²³³ after the commencement of the within proceedings,⁷²³⁴ except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

22. ~~21.~~²³⁵ THIS COURT ORDERS that the directors and officers of the Applicant²³⁶ Applicants²³⁷ shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge")⁸²³⁸ on the Property, which charge shall not exceed an aggregate amount of \$~~239,240~~²⁴⁰ 300,000²⁴¹ as security for the indemnity provided in paragraph ~~[20]~~²⁴² 21²⁴³ of this Order. The Directors' Charge shall have the priority set out in paragraphs ~~[38]~~²⁴⁴ 33²⁴⁵ and ~~[40]~~²⁴⁶ 35²⁴⁷ herein.

23. ~~22.~~²⁴⁸ THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's²⁴⁹ directors and officers of the Applicants²⁵⁰ shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~{20}~~ of this Order²⁵¹ 21 of this Order, and for the purpose of determining the sufficiency of insurance coverage, the directors and officers shall, subject to the terms of the policy and any statutory or other discretion of a court to apportion the insurance, have the ability to apply the insurance amongst competing claims, in their discretion²⁵².

APPOINTMENT OF MONITOR

24. ~~23.~~²⁵³ THIS COURT ORDERS that ~~[MONITOR'S NAME]~~²⁵⁴ Duff & Phelps²⁵⁵ is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant²⁵⁶ Applicants²⁵⁷ with the powers and obligations set out in the CCAA or set forth herein,²⁵⁸ and that the Applicant²⁵⁹ Applicants²⁶⁰ and its²⁶¹ their²⁶² shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant²⁶³ Applicants²⁶⁴ pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

25. ~~24.~~²⁶⁵ THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's²⁶⁶ Applicants²⁶⁷ receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) ~~assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its counsel on a [TIME INTERVAL] basis of financial and other~~

- information as agreed to ~~between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;~~²⁶⁸
- (c) ~~(d)~~²⁶⁹ advise the Applicant²⁷⁰ Applicants²⁷¹ in its²⁷² their²⁷³ preparation of the Applicant's²⁷⁴ cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL], or as otherwise agreed to by the DIP Lender²⁷⁵ this court²⁷⁶;
- (d) 277 undertake a process for determining claims against the Applicants;²⁷⁸
- (e) advise the Applicant²⁷⁹ Applicants²⁸⁰ in its²⁸¹ their²⁸² development of the Plan and any amendments to the²⁸³ a²⁸⁴ Plan;
- (f) assist the Applicant²⁸⁵ Applicants²⁸⁶, to the extent required by the Applicant²⁸⁷ them²⁸⁸, with the holding and administering of creditors' or shareholders' meetings for voting on the²⁸⁹ a²⁹⁰ Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant²⁹¹ Applicants²⁹², to the extent that is necessary to adequately assess the Applicant's²⁹³ Applicants²⁹⁴ business and financial affairs or to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

26. ~~25.~~²⁹⁵ THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the

Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

27. ~~26.~~²⁹⁶ THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario²⁹⁷ *Transportation of Dangerous Goods Act*, the²⁹⁸ *Environmental Protection Act*, the Ontario²⁹⁹ (Newfoundland and Labrador), the *Environment Quality Act (Quebec)*, the³⁰⁰ *Water Resources Act*, or the Ontario³⁰¹ (Newfoundland and Labrador), the³⁰² *Occupational Health and Safety Act (Newfoundland and Labrador)*, the *Act Respecting Occupational Health and Safety (Quebec)*³⁰³ and regulations thereunder³⁰⁴ under any such legislation³⁰⁵ (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

28. ~~27.~~³⁰⁶ THIS COURT ORDERS that that the Monitor shall³⁰⁷ may³⁰⁸ provide any ~~creditor~~³⁰⁹ creditors³¹⁰ of the Applicant and the DIP Lender³¹¹ Applicants³¹² with information provided by the Applicant³¹³ Applicants³¹⁴ in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant³¹⁵ Applicants³¹⁶ is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant³¹⁷ Applicants³¹⁸ may agree.

29. ~~28.~~³¹⁹ THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

30. ~~29.~~³²⁰ THIS COURT ORDERS that the Monitor, counsel to the Monitor and³²¹ ~~the~~³²² counsel to the Applicant³²³ Applicants and counsel to the Applicants' directors and officers³²⁴ shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant³²⁵ Applicants³²⁶ as part of the costs of these proceedings. The Applicant³²⁷ Applicants are³²⁸ hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a [TIME INTERVAL]³²⁹ counsel for the Applicants and counsel to the Applicants' directors and officers, whether arising prior to, on or after the date of this order, on a monthly³³⁰ basis and, in addition, the Applicant is³³¹ Applicants are³³² hereby authorized to have paid or to³³³ pay to the Monitor, counsel to the Monitor, and counsel to the Applicant³³⁴ Applicants³³⁵, retainers in the aggregate³³⁶ amount[s]³³⁷ of \$~~338~~³³⁹ [-, respectively,] to be held by them³⁴⁰ up to \$135,000,³⁴¹ as security for payment of their respective fees and disbursements outstanding from time to time.³⁴²

31. ~~30.~~³⁴³ THIS COURT ORDERS that, if requested by the Applicants, this Court or any interested party,³⁴⁴ the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

32. ~~31.~~³⁴⁵ THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any,³⁴⁶ and the Applicant³⁴⁷ Applicants³⁴⁸ counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, ~~which charge shall not exceed an aggregate~~³⁴⁹ in the³⁵⁰ amount of \$~~351~~³⁵² 500,000,³⁵³ as security for ~~their~~³⁵⁴ professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, and outstanding from time to time,³⁵⁵ both before and after the making of this Order,³⁵⁶ in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~[38]~~³⁵⁷ 33³⁵⁸ and ~~[40]~~³⁵⁹ 35³⁶⁰ hereof.

~~DIP FINANCING~~³⁶¹

32. ~~THIS COURT ORDERS that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from [DIP LENDER'S NAME] (the "DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$³⁶²●³⁶³ unless permitted by further Order of this Court.~~³⁶⁴

33. ~~THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of [DATE] (the "Commitment Letter"), filed.~~³⁶⁵

34. ~~THIS COURT ORDERS that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.~~³⁶⁶

35. ~~THIS COURT ORDERS that the DIP Lender shall be entitled³⁶⁷ to the benefit of and is hereby granted a charge (³⁶⁸the "DIP Lender's Charge") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge³⁶⁹ shall have the priority set out in paragraphs³⁷⁰ [38] and [40] hereof.~~³⁷¹

36. ~~THIS COURT ORDERS that, notwithstanding any other provision of this Order:~~³⁷²

- (a) ~~the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;~~³⁷³

- (b) ~~upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon³⁷⁴ ~~375~~ days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and³⁷⁶~~
- (c) ~~the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.³⁷⁷~~

37. ~~THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.³⁷⁸~~

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

33. ~~38.~~³⁷⁹ THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's³⁸⁰ Intercompany³⁸¹ Charge (collectively, the "Charges")³⁸², as among them, shall be as follows³⁸³:

First – Administration Charge ~~(to the maximum amount of \$³⁸⁴ ~~385~~)~~³⁸⁶;

Second – ~~DIP Lender's~~³⁸⁷ Directors'³⁸⁸ Charge; and³⁸⁹

Third – ~~Directors'~~³⁹⁰ Intercompany³⁹¹ Charge ~~(to the maximum amount of \$³⁹² ~~393~~)~~³⁹⁴

34. ~~39.~~³⁹⁵ THIS COURT ORDERS that the filing, registration or perfection of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges")~~³⁹⁶ Charges³⁹⁷ shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

35. ~~40.~~³⁹⁸ THIS COURT ORDERS that each of the ~~Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein)~~³⁹⁹ Charges⁴⁰⁰ shall constitute a charge on the Property (except in the case of the Intercompany Charge, which shall constitute a charge only on the relevant Recipient Applicant Property)⁴⁰¹ and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person, provided that this order shall not operate to subordinate the interests of any secured creditors until they have been given notice of these proceedings and have had an opportunity to respond⁴⁰².

36. ~~41.~~⁴⁰³ THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the ~~Applicant~~⁴⁰⁴ Applicants⁴⁰⁵ shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge~~⁴⁰⁶ Charges⁴⁰⁷, unless the ~~Applicant~~⁴⁰⁸ Applicants⁴⁰⁹ also ~~obtains~~⁴¹⁰ obtain⁴¹¹ the prior written consent of the Monitor, ~~the DIP Lender~~⁴¹² and the beneficiaries of the ~~Directors' Charge and the Administration Charge, or~~⁴¹³ Charges, or a⁴¹⁴ further Order of this Court.

37. ~~42.~~⁴¹⁵ THIS COURT ORDERS that the ~~Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge~~⁴¹⁶ Charges⁴¹⁷ shall not be rendered invalid or unenforceable and the rights and remedies of the ~~chargees entitled to the benefit~~⁴¹⁸ beneficiaries⁴¹⁹ of the Charges (collectively, the "Chargees") and/or the ~~DIP Lender thereunder~~⁴²⁰ shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the⁴²¹ BIA, or any bankruptcy order made pursuant to such ~~applications~~⁴²² application(s)⁴²³; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e)

any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicant⁴²⁴ Applicants⁴²⁵, and notwithstanding any provision to the contrary in any Agreement:

- (a) ~~neither~~⁴²⁶ the creation of the Charges ~~nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents~~⁴²⁷ shall not⁴²⁸ create or be deemed to constitute a breach by the Applicant⁴²⁹ Applicants⁴³⁰ of any Agreement to which it is a party;
- (b) none of the ~~Chargees~~⁴³¹ beneficiaries of the Charges⁴³² shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant ~~entering into the Commitment Letter,~~⁴³³ the creation of the Charges, ~~or the execution, delivery or performance of the Definitive Documents~~⁴³⁴; and
- (c) the payments made by the Applicant⁴³⁵ Applicants⁴³⁶ pursuant to this Order, ~~the Commitment Letter or the Definitive Documents,~~⁴³⁷ and or⁴³⁸ the granting of the Charges,⁴³⁹ do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

38. ~~43.~~⁴⁴⁰ THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's⁴⁴¹ Applicants⁴⁴² interest in such real property leases.

SERVICE AND NOTICE

39. ~~44.~~⁴⁴³ THIS COURT ORDERS that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~⁴⁴⁴ The Globe and Mail (National Edition; English), The Telegram (St. John's, Nfld.; English), and Le Journal Nord-Côtier (Sept-Îles, Quebec; French)⁴⁴⁵ a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim

against the Applicant⁴⁴⁶ Applicants⁴⁴⁷ of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

40. 45.⁴⁴⁸ THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at

~~<http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>~~⁴⁴⁹ <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>⁴⁵⁰) shall be

valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL:⁴⁵¹

 ⁴⁵² <http://www.duffandphelps.com/intl/en-ca/Pages/RestructuringCases.aspx>⁴⁵³.

41. 46.⁴⁵⁴ THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant⁴⁵⁵ Applicants⁴⁵⁶ and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery ~~or~~⁴⁵⁷ ⁴⁵⁸ facsimile or other electronic⁴⁵⁹ transmission to the Applicant's⁴⁶⁰ Applicants'⁴⁶¹ creditors or other interested parties at their respective addresses as last shown on the records of the Applicant⁴⁶² Applicants⁴⁶³ and that any such service or distribution by courier, personal delivery ~~or~~⁴⁶⁴ ⁴⁶⁵ facsimile or other electronic⁴⁶⁶ transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

42. 47.⁴⁶⁷ THIS COURT ORDERS that the Applicant⁴⁶⁸ Applicants⁴⁶⁹ or the Monitor may from time to time apply to this Court for advice and directions ~~in~~⁴⁷⁰ concerning⁴⁷¹ the discharge of

its⁴⁷² their respective⁴⁷³ powers and duties hereunder⁴⁷⁴ under this Order or concerning the interpretation or application of this Order or the conduct of the Restructuring⁴⁷⁵.

43. ~~48.~~⁴⁷⁶ THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant⁴⁷⁷ Applicants⁴⁷⁸, the Business or the Property.

44. ~~49.~~⁴⁷⁹ THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant⁴⁸⁰ Applicants⁴⁸¹, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant⁴⁸² Applicants⁴⁸³ and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant⁴⁸⁴ Applicants⁴⁸⁵ and the Monitor and their respective agents in carrying out the terms of this Order.

45. ~~50.~~⁴⁸⁶ THIS COURT ORDERS that each of the Applicant⁴⁸⁷ Applicants⁴⁸⁸ and the Monitor be at liberty and is⁴⁸⁹ are⁴⁹⁰ hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

46. ~~51.~~⁴⁹¹ THIS COURT ORDERS that any interested party (including the Applicant⁴⁹² Applicants⁴⁹³ and the Monitor) may apply to this Court to vary or⁴⁹⁴ ~~or~~⁴⁹⁵ amend, supplement or replace⁴⁹⁶ this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

47. ~~52.~~⁴⁹⁷ THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/~~Daylight~~⁴⁹⁸ Time on the date of this Order.

Court File No.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LABRADOR IRON MINES HOLDINGS LIMITED, LABRADOR IRON MINES LIMITED and SCHEFFERVILE MINES INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

APPLICATION RECORD

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