

Century Iron Mines Corporation

(An exploration stage mining company)

Condensed Consolidated Interim Financial Statements

(Unaudited)

September 30, 2012

(Expressed in Canadian Dollars)

Century Iron Mines Corporation
Condensed Consolidated Interim Statement of Financial Position
(Unaudited)
As of September 30, 2012

(Expressed in Canadian Dollars)

	Notes	September 30, 2012 \$	March 31, 2012 \$
Assets			
Current assets			
Cash and cash equivalents		41,442,432	67,391,504
Accounts receivable	16	17,521,801	154,271
Sales taxes recoverable		6,212,894	3,421,070
Investment tax credits receivable	5	622,239	991,667
Prepaid expenses and deposits		1,682,443	507,115
		<u>67,481,809</u>	<u>72,465,627</u>
Non-current assets			
Exploration and evaluation assets	5	42,846,544	46,686,503
Property, plant and equipment	6	3,816,424	4,002,525
Investment in joint venture	7	59,548,098	-
		<u>173,692,875</u>	<u>123,154,655</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		6,611,439	5,773,953
Deposit received	16, 19	7,865,600	7,973,048
		<u>14,477,039</u>	<u>13,747,001</u>
Non-current liabilities			
Deferred tax		37,722	37,722
		<u>14,514,761</u>	<u>13,784,723</u>
Shareholders' Equity			
Share capital	10	115,294,109	115,310,770
Retained earnings / (Deficit)		29,706,581	(17,595,895)
Other components of equity		14,177,424	11,655,057
		<u>159,178,114</u>	<u>109,369,932</u>
		<u>173,692,875</u>	<u>123,154,655</u>

Approved by the Board of Directors

_____/s/ "Sandy Chim" Director

_____/s/ "Paul Murphy" Director

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Century Iron Mines Corporation
Condensed Consolidated Interim Statement of Comprehensive Income or Loss
(Unaudited)
For the three and six months ended September 30, 2012 and 2011

(Expressed in Canadian Dollars)

		Three months ended		Six months ended	
		September 30,		September 30,	
		2012	2011	2012	2011
	Notes	\$	\$	\$	\$
Gain on deemed disposal of Labec Century	8	53,470,746	-	53,470,746	-
Other operating income	13	169,321	290,690	375,934	390,025
Administrative expenses	14	(3,748,166)	(3,747,462)	(6,554,042)	(9,860,789)
Other operating expenses	9	-	-	-	(746,602)
Profit / (loss) before income tax		49,891,901	(3,456,772)	47,292,638	(10,217,366)
Income tax		-	-	-	-
Profit / (loss) for the period		49,891,901	(3,456,772)	47,292,638	(10,217,366)
Other comprehensive income / (loss)					
Exchange differences on translation of foreign operations		84,289	19,885	37,571	(26,833)
Total comprehensive income / (loss) for the period		49,976,190	(3,436,887)	47,330,209	(10,244,199)
Earnings / (loss) per common share – basic and diluted	15	0.526	(0.037)	0.499	(0.125)
Weighted average number of common shares outstanding		94,862,421	92,846,267	94,863,241	81,809,646

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Century Iron Mines Corporation
Condensed Consolidated Interim Statement of Changes in Equity
(Unaudited)
For the six months ended September 30, 2012 and 2011

(Expressed in Canadian Dollars)

	Share capital \$	Share option reserve \$	Warrants \$	Foreign currency translation reserve \$	Retained earnings / (Deficit) \$	Total \$
Balance - April 1, 2012	115,310,770	8,479,048	3,180,592	(4,583)	(17,595,895)	109,369,932
Profit for the period	-	-	-	-	47,292,638	47,292,638
Other comprehensive income for the period	-	-	-	37,571	-	37,571
Total comprehensive income for the period	-	-	-	37,571	47,292,638	47,330,209
Equity-settled share option arrangement	-	2,494,634	-	-	-	2,494,634
Shares repurchased (note 10(g))	(16,661)	-	-	-	-	(16,661)
Share options expired	-	(9,838)	-	-	9,838	-
Balance - September 30, 2012	115,294,109	10,963,844	3,180,592	32,988	29,706,581	159,178,114
Balance - April 1, 2011	4,000,000	-	-	-	(1,945,591)	2,054,409
Loss for the period	-	-	-	-	(10,217,366)	(10,217,366)
Other comprehensive loss for the period	-	-	-	(26,833)	-	(26,833)
Total comprehensive loss for the period	-	-	-	(26,833)	(10,217,366)	(10,244,199)
Capital movement pursuant to reverse acquisition (note 9)	800,000	39,349	17,963	-	-	857,312
Common shares and warrants issued on subscription receipts (note 9)	30,771,964	-	880,450	-	-	31,652,414
Common shares and warrants issued to other subscribers upon completion of reverse acquisition (note 10)	75,433,565	-	2,300,142	-	-	77,733,707
Equity-settled share option arrangement	-	5,545,346	-	-	-	5,545,346
Issue of shares upon exercise of share options (note 10(f))	70,665	(29,511)	-	-	-	41,154
Balance - September 30, 2011	111,076,194	5,555,184	3,198,555	(26,833)	(12,162,957)	107,640,143

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Century Iron Mines Corporation
Condensed Consolidated Interim Statement of Cash Flow
(Unaudited)
For the three and six months ended September 30, 2012 and 2011

(Expressed in Canadian Dollars)

		Three months ended September 30,		Six months ended September 30,	
	Notes	2012	2011	2012	2011
		\$	\$	\$	\$
Cash provided by / (used in)					
Operating activities					
Profit / (loss) before income tax		49,891,901	(3,456,772)	47,292,638	(10,217,366)
Adjustments for					
Interest received	13	(169,138)	(290,690)	(375,751)	(390,025)
Depreciation of property, plant and equipment	14	42,195	98,483	73,713	114,509
Foreign exchange loss / (gain)		(165,893)	620,876	(63,214)	557,056
Share option expenses		1,262,754	1,346,488	2,494,634	5,545,346
Gain on deemed disposal of a subsidiary	8	(53,470,746)	-	(53,470,746)	-
Reverse acquisition transaction cost	9	-	-	-	746,602
Changes in non-cash working capital					
Decrease / (increase) in accounts receivable		(203,139)	1,250	(265,471)	(13,315)
Increase in sales taxes recoverable		(2,276,867)	(782,271)	(3,928,903)	(1,110,822)
Decrease / (increase) in investment tax credits receivable		86,472	(545,860)	86,472	(545,860)
Increase in prepaid expenses and deposits		(340,304)	(767,104)	(1,175,328)	(363,106)
Increase in accounts payable and accrued liabilities		1,685,525	5,382,551	842,521	5,439,407
		(3,657,240)	1,606,951	(8,489,435)	(237,574)
Investing activities					
Interest received		169,138	290,690	375,751	390,025
Exploration and evaluation assets		(9,044,539)	(10,398,505)	(17,276,792)	(13,290,069)
Acquisition of property, plant and equipment		(245,483)	(1,288,471)	(360,260)	(1,645,298)
Net cash outflow from deemed disposal of Labec Century	8	(176,756)	-	(176,756)	-
Net cash acquired from reverse acquisition	9	-	-	-	76,797
		(9,297,640)	(11,396,286)	(17,438,057)	(14,468,545)
Financing activities					
Proceeds from shares issued, net of costs		-	27,436	-	109,427,275
Repurchase of shares	10	(16,661)	-	(16,661)	-
Repayment to related parties		-	-	-	(9,254,738)
		(16,661)	27,436	(16,661)	100,172,537
Net change in cash and cash equivalents		(12,971,541)	(9,761,899)	(25,944,153)	85,466,418
Cash and cash equivalents - Beginning of period		54,437,941	100,186,989	67,391,504	4,958,672
Effect of foreign exchange rate changes, net		(23,968)	(1,649)	(4,919)	(1,649)
Cash and cash equivalents - End of period		41,442,432	90,423,441	41,442,432	90,423,441

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Century Iron Mines Corporation

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

September 30, 2012

(Expressed in Canadian Dollars)

1. Nature of operations

Century Iron Ore Holdings Inc. (“Century Holdings”) was incorporated on September 22, 2010 under the laws of the Province of British Columbia as a wholly owned subsidiary of Century Iron Ore Corporation (“Century”). Century Holdings is a base metal exploration and mining company with assets in the Provinces of Quebec and Newfoundland and Labrador, Canada.

On October 21, 2010, Century Holdings acquired 100% of the common shares of Grand Century Iron Ore Inc. (“Grand Century”), Canadian Century Iron Ore Corporation (“Canadian Century”), Labec Century Iron Ore Inc. (“Labec Century”) and 0849873 B.C. Ltd. (“B.C. Ltd.”) (collectively the “Properties”) from Century by issuing 100 common shares.

On May 18, 2011, Century Holdings completed a reverse takeover (“RTO”) of Century Iron Mines Corporation (the “Company”), formerly known as Red Rock Capital Corp. (“Red Rock”). Red Rock was incorporated under the Canada Business Corporations Act on July 10, 2007. It was classified as a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange Inc. and, accordingly, had no significant assets other than cash and no commercial operations. Red Rock changed its name to Century Iron Mines Corporation and its fiscal year end to March 31 on May 16, 2011.

On September 19, 2011, the Company graduated from the TSX Venture Exchange to the Toronto Stock Exchange (the “TSX”) and the shares of the Company commenced trading on TSX under the symbol “FER”.

The Company’s registered office is located at Suite 602, 170 University Avenue, Toronto, Ontario, Canada M5H 3B3. The Company is incorporated and domiciled in Canada. The Company’s ultimate holding company is Century Eagle Holdings Limited, incorporated in the British Virgin Islands.

These condensed consolidated interim financial statements were approved by the Board of Directors for issue on November 12, 2012.

2. Basis of preparation

The condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended March 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

3. Significant accounting policies

The significant accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those of the previous financial year, except as described below.

Changes in accounting policy

On September 26, 2012, the Group completed the closing procedures of a joint venture arrangement on the Attikamagen property with WISCO International Resources Development & Investment Limited

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(“WISCO”), pursuant to which Labec Century issued shares to Century Holdings and WISCO Canada Attikamagen Resources Development & Investment Limited (“WISCO Attikamagen”). After the share issuance, Labec Century ceased to be a subsidiary and became a joint venture of the Group that is accounted for in accordance with IFRS 11 *Joint Arrangements*. The Group has selected to recognize its interest in the joint venture at fair value and recognized a gain of \$53,470,746 on the disposal of the subsidiary. Further details of the transaction are provided in notes 7 and 8.

New and amended accounting standards adopted by the Group

The Group has early adopted the following standards, together with the consequential amendments to other IFRSs, for the financial year ended March 31, 2013:

IFRS 10 *Consolidated Financial Statements*

IFRS 11 *Joint Arrangements*

IFRS 12 *Disclosure of Interests in Other Entities*

IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2011)

IAS 28 *Investments in Associates* (as amended in 2011)

Joint arrangements

In accordance with IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operator recognizes its interest in the joint operation’s assets, liabilities, revenue and expenses. Joint ventures are accounted for using the equity method.

The Group has applied the new policy for interests in joint ventures in accordance with the transition provisions of IFRS 11. The Group recognized its investment in joint venture at fair value at the date of acquisition. This is the initial cost of the Group’s investments in joint venture for applying equity accounting. The Group has adopted a policy of recognizing 100% of any gains that arise on the formation of a joint venture.

Under the equity method of accounting, interests in joint ventures are initially recognized in the consolidated statement of financial position at initial cost and adjusted thereafter to recognize the Group’s share of the post-acquisition profits or losses and movements in other comprehensive income in the income statement and in other comprehensive income respectively. When the Group’s share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group’s net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group’s interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from April 1, 2011. There is no impact on the net assets of the periods presented.

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The change in accounting policies has no impact on the financial position, comprehensive income or loss and the cash flows of the Group at September 30, 2012 and March 31, 2011. The change in accounting policy has had no impact on earnings or loss per share.

Basis of measurement

The condensed consolidated interim financial statements have been prepared under the historical cost convention. These condensed consolidated interim financial statements are presented in Canadian Dollar, which is the Group's presentation currency.

4. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future that are believed to be reasonable under the circumstances. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events. The following are the estimates and judgments applied by management that most significantly affect the Group's financial statements.

(i) Valuation of exploration and evaluation assets

The Group carries its exploration and evaluation assets at cost less provision for impairment. The Group reviews the carrying value of its exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may not be recoverable. In undertaking this review, management is required to make significant estimates of, amongst other things, future production and sale values, unit sales prices, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying value of the exploration and evaluation assets.

(ii) Share option expenses

The Group grants share options to directors, officers, employees and consultants of the Group under its incentive stock option plan. The fair value of share options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management is required to make certain assumptions and estimates such as the life of options, volatility and forfeiture rates. Changes in assumptions used to estimate fair value could result in materially different results.

(iii) Classification of joint arrangements

Following the transaction described in note 7, the Group now owns 60% interest in Labec Century. Pursuant to the agreement between the shareholders of Labec Century, the approval of significant financial and operating policies of Labec Century requires consent from both shareholders. Consequently, the Group is deemed to have joint control over Labec Century. Per application of IFRS 11 *Joint Arrangements*, the Group has the right to the net assets of Labec Century and as such, Labec Century is accounted for as a joint venture in accordance with IFRS 11.

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5. Exploration and evaluation assets

	Duncan Lake property \$	Attikamagen property \$	Sunny Lake property \$	Altius properties \$	Other property \$	Total \$
Balance - March 31 and April 1, 2012	16,989,318	16,569,824	7,575,756	5,336,228	215,377	46,686,503
Transfer in / (out)	-	-	18,027	-	(18,027)	-
Additions	2,126,782	5,017,831	7,726,606	2,862,105	14,372	17,747,696
Deemed disposal of Labec Century (note 8)	-	(21,587,655)	-	-	-	(21,587,655)
Balance - September 30, 2012	19,116,100	-	15,320,389	8,198,333	211,722	42,846,544

The Group has accrued \$622,239 (March 31, 2012: \$991,667) in investment tax credits receivable related to eligible expenditures in the province of Quebec. The assistance has been applied to the properties to which it pertains. The Group expects to receive this assistance in the form of refundable tax credits from the Province of Quebec and mining duties returns from the Quebec Ministry of Natural Resources.

Duncan Lake property

On May 20, 2008, Canadian Century entered into an option and joint venture agreement (the “Augyva Agreement”) with Augyva Mining Resources Inc. (“Augyva”) to have an option to obtain a 51% interest in the Duncan Lake property once \$6.0 million has been funded on or before the fourth anniversary of the date of the Augyva Agreement. The Group completed its funding commitment of \$6.0 million on the Duncan Lake property in November 2010 and, as a result, obtained a 51% interest in this property. Canadian Century recognized its share of costs incurred in the Duncan Lake property.

Canadian Century has an additional option to obtain a further 14% of the Duncan Lake property by spending an additional \$14.0 million in exploration costs, construction, and/or operating costs or completing a feasibility report on or before the eighth anniversary of the date of the Augyva Agreement. In October 2012, Canadian Century notified Augyva that it has expended a further \$14 million on the project under the Augyva Agreement. Confirmation of completion of the \$14 million earn-in is subject to the customary financial review by Augyva.

Execution of the definitive joint venture agreement for the Duncan Lake property, according to the framework as set up in the joint venture agreement entered into between the Company and WISCO on August 30, 2011, remains pending upon the completion of WISCO’s internal review processes, therefore, Canadian Century continues to recognize its share of costs incurred in the Duncan Lake property.

Attikamagen property

In February 2012, Labec Century completed the earn-in of its 51% interest in the Attikamagen property by fulfilling the obligation to fund \$7.5 million in exploration and development work expenditures on the Attikamagen property. Labec Century recognized its share of costs incurred in the Attikamagen property.

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In June 2012, Labec Century completed the earn-in of an additional 5% interest in the Attikamagen property by fulfilling the obligation to fund an additional \$2.5 million in exploration and development work expenditures on the Attikamagen property. Labec Century's interest in the Attikamagen property increased from 51% to 56%. Labec Century has the option to obtain a further 4% interest by funding an additional \$3.0 million by March 26, 2014. As Labec Century has fulfilled the additional \$3.0 million funding requirement, it has requested the further 4% interest in the Attikamagen property with Champion Minerals Inc. ("Champion"). Champion is completing its due diligence investigations with respect to the transfer of the 4% interest.

On December 19, 2011, the Company and WISCO entered into the Attikamagen shareholders agreement (the "Attikamagen Shareholders Agreement") that governs the joint venture to be formed between the Company and WISCO for the exploration and development of the Attikamagen property. Under the Attikamagen Shareholders Agreement, WISCO can obtain a 40% interest in the Group's share of the Attikamagen project by investing \$40 million.

On September 26, 2012, the closing procedures prescribed in the Attikamagen Shareholders Agreement were completed, with Labec Century issuing shares representing 40% of its shareholding to WISCO Attikamagen for an investment sum of \$20 million on September 26, 2012 and a further \$20 million by September 26, 2013. After the share issuance, Labec Century ceased to be a subsidiary of the Group and became a joint venture of the Group that is accounted for in accordance with IFRS 11. Accordingly, the Group's ownership of the Attikamagen property was derecognized as of that date. Further details of the transaction are provided in notes 7 and 8.

Sunny Lake property

The mining claims are held solely by B.C. Ltd.

On December 19, 2011, the Company and WISCO entered into the Sunny Lake joint venture agreement (the "Sunny Lake JV Agreement") that will govern the joint venture to be formed between the Company and WISCO for the exploration and development of the Sunny Lake property. Under the Sunny Lake JV Agreement, WISCO will invest \$40 million in exchange for a 40% interest in the Sunny Lake project. The joint venture, WISCO Century Sunny Lake Iron Mines Limited, was incorporated on June 29, 2012. B.C. Ltd. has transferred its interest in the Sunny Lake property to the joint venture as a prescribed closing procedure provided for in the Sunny Lake JV Agreement. The remaining closing procedure is now in progress.

Altius properties

On September 19, 2011, the Company and Altius Minerals Corporation ("Altius") signed a principal agreement (the "Altius Agreement") covering four of Altius' regional iron ore projects in the Labrador Trough: Astray, Grenville, Menihok and Schefferville. Under the Altius Agreement, the Company has acquired a 100% interest in the four projects in exchange for a commitment of exploration expenditures of \$7 million per project cumulatively over a 5-year period and the issuance of 5,000,000 common shares of the Company to be issued over a 2-year period. Altius will retain a 1% to 4% sliding scale gross sales royalty on production from the properties as well as additional consideration of up to a maximum of 35,000,000 "bonus" shares of the Company as National Instrument 43-101 compliant iron ore resources are defined above various thresholds.

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On November 18, 2011, the Company issued 2,000,000 common shares to Altius pursuant to the Altius Agreement. The remaining 3,000,000 common shares are issuable by November 18, 2013. The transfer of the properties from Altius to the Company was completed on November 22, 2011.

The acquisition of the Altius properties was accounted for using the market price of the common shares issued on November 18, 2011 with an amount of \$4,200,000.

6. Property, plant and equipment

	Land \$	Drilling & field equipment \$	Camp and properties \$	Leasehold improvements \$	Computer & office equipment \$	Vehicles \$	Total \$
Cost							
Balance - March 31 and April 1, 2012	104,677	2,603,830	1,046,106	231,374	138,593	328,040	4,452,620
Additions	-	53,393	31,190	52,488	128,541	94,648	360,260
Disposals	-	-	(82,819)	-	-	-	(82,819)
Exchange differences	-	-	-	(2,085)	(333)	-	(2,418)
Balance - September 30, 2012	104,677	2,657,223	994,477	281,777	266,801	422,688	4,727,643
Accumulated depreciation							
Balance - March 31 and April 1, 2012	-	191,711	145,015	30,250	36,762	46,357	450,095
Depreciation	-	270,408	106,280	29,957	43,633	36,366	486,644
Disposals	-	-	(24,846)	-	-	-	(24,846)
Exchange differences	-	-	-	(542)	(132)	-	(674)
Balance - September 30, 2012	-	462,119	226,449	59,665	80,263	82,723	911,219
Net book value							
Balance - September 30, 2012	104,677	2,195,104	768,028	222,112	186,538	339,965	3,816,424
Balance - March 31, 2012	104,677	2,412,119	901,091	201,124	101,831	281,683	4,002,525

7. Investment in joint venture

On September 24, 2012, Labec Century completed the restructuring of its authorized share structure by creating new classes of shares called Class A common shares, Class B common shares and Class C common shares. Class A common shares are voting shares and Class B common shares and Class C common shares are non-voting shares.

On September 25, 2012, Century Holdings paid \$6,000 to Labec Century to subscribe for 60 million Class A common shares. On the same date, Labec Century issued 60 million Class C common shares to Century Holdings in exchange and as payment for the 60 million common shares of Labec Century originally held by Century Holdings.

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On September 26, 2012, WISCO Attikamagen injected \$20 million to Labec Century, with a commitment to inject a further \$20 million by September 26, 2013, to subscribe for 40 million Class B common shares. On the same date, WISCO Attikamagen paid \$4,000 to Labec Century to subscribe for 40 million Class A common shares.

Century Holdings and WISCO Attikamagen are therefore determined to own 60% and 40% interest respectively in Labec Century after these transactions.

Pursuant to the Attikamagen Shareholders Agreement, the approval of significant financial and operating policies of Labec Century requires the consent from 80% of the shareholders. Based on the current shareholding structure of Labec Century, consent from both shareholders is required. Consequently, the Group does not have control over Labec Century. The Group has been deemed to have joint control of Labec Century and as such, Labec Century is accounted for as a joint venture in accordance with IFRS 11 *Joint Arrangements*.

As of September 30, 2012, the Group's investment in Labec Century is as follows:

	2012
	\$
Initial recognition of the investment in joint venture at fair value on September 26, 2012	59,548,098
Share of profit or loss of joint venture for the period	<u>-</u>
Investment in joint venture at September 30, 2012	<u>59,548,098</u>

Labec Century holds 56% interest of the Attikamagen property. The principal activities of Labec Century are to explore and develop the Attikamagen property. Its principal place of business is in Quebec province of Canada. As of September 30, 2012, the Group owns 60% interest in Labec Century. The summarized financial information of Labec Century as of September 30, 2012 is as follows:

	\$'000
Assets	
Current assets	21,677
Non-current assets	23,485
Liabilities	
Current liabilities	17,183
Non-current liabilities	<u>-</u>
Cash and cash equivalent	20,232
Current financial liabilities	<u>17,183</u>

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8. Deemed disposal of Labec Century

The dilution of the Company's interest in Labec Century from a 100% owned subsidiary to a 60% joint venture represents a deemed disposal. The carrying values of the assets and liabilities disposed of on September 26, 2012, and the gain on deemed disposal of Labec Century are summarized as follows:

	\$
Net assets disposed of:	
Cash	176,756
Accounts receivable	75,864
Sales taxes recoverable	1,137,079
Investment tax credits receivable	282,956
Exploration and evaluation assets	23,485,207
Accounts payable and accrued liabilities	<u>(17,182,958)</u>
	<u>7,974,904</u>
Fair value of investment retained	59,548,098
Net assets disposed of	(7,974,904)
Intercompany profit realized on deemed disposal	<u>1,897,552</u>
Gain on deemed disposal of a subsidiary	<u>53,470,746</u>

The fair value of the investment retained is estimated with reference to the present value of the consideration paid or payable by WISCO Attikamagen amounting to \$39,698,732.

The net cash outflow from deemed disposal of a subsidiary is analyzed as follows:

	\$
Cash disposed of	<u>176,756</u>

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9. Reverse acquisition

On May 18, 2011, Century Holdings completed (1) a brokered private placement and non-brokered private placement at an issue price of \$2.50 per subscription receipt for gross proceeds of \$33,462,065 and (2) an employee offering at an issue price of \$2.25 (for 18 months lock-up) or \$2 (36 months lock-up) per subscription receipt for gross proceeds of \$32,500. Transaction costs related to the offering amounted \$2,722,601 (which comprises cash fee of \$1,842,151 and 686,243 warrants of \$880,450). Each such subscription receipt will entitle the holder to acquire one common share in the capital of Century Holdings.

On May 18, 2011, the Company issued 61,370,738 common shares to the former shareholders of Century Holdings in exchange for 100% interest in Century Holdings.

As a result of the transaction, the former shareholders of the Century Holdings owned 99.55% of the outstanding shares of the Company. In accordance with IFRS 3, *Business Combinations*, the substance of the transaction is a reverse acquisition of a non-operating company. The transaction does not constitute a business combination as the Company before the RTO does not meet the definition of a business under the standard. As a result, the transaction is accounted for as a capital transaction with Century Holdings being identified as the accounting acquirer and the equity consideration being measured at fair value. The resulting statement of financial position is presented as a continuance of Century Holdings and comparative figures presented in the financial statements after the reverse acquisition are those of Century Holdings.

IFRS 2 *Share-based Payment* applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or service received in return. Because the Company has issued shares with a value in excess of the assets received, IFRS 2 would indicate that the difference is recognized in comprehensive loss as reverse acquisition transaction cost. The amount assigned to reverse acquisition transaction cost of \$746,602 is the difference between the fair value of the consideration and the net identifiable assets of the Company acquired by Century Holdings and included in the consolidated statement of comprehensive loss.

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the reverse acquisition transaction. This represents the fair value of the shares that Century Holdings would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Century Holdings acquiring 100% of the shares in the Company. The percentage of ownership the legal parent's shareholders had in the combined entity is 0.45% after the issue of 61,370,738 shares of the Company to Century Holdings shareholders. As the share options and warrants granted prior to RTO remains exercisable after the completion of RTO, the fair value of the share options and warrants at the date of RTO are also included as part of the consideration transferred.

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Based on the statement of financial position of the Company at the time of the reverse acquisition, the net assets at estimated fair value that were acquired by the Century Holdings were \$110,710 and the resulting reverse acquisition cost charged to the profit or loss is as follows:

	\$
Consideration:	
Deemed issue of share by Century Holdings	800,000
Deemed replacement of options	39,349
Deemed replacement of warrants	17,963
	<u>857,312</u>
Identifiable assets acquired	
Cash	76,797
Sales taxes recoverable	9,024
Prepayments and deposits	74,643
Accounts payable and accrued liabilities	(48,224)
Others	(1,530)
	<u>110,710</u>
Unidentifiable assets acquired	
Reverse acquisition transaction cost	<u>746,602</u>
Total net identifiable assets and reverse acquisition transaction cost	<u>857,312</u>

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10. Share capital

Authorized

Unlimited number of common shares, with no par value.

Issued

As a result of the RTO, Century Holdings became a direct, wholly owned subsidiary of the Company. The reverse acquisition was treated as an issuance of common shares by the continuing entity, Century Holdings.

At September 30, 2012, the issued share capital amounted to \$115,294,109. The changes in issued share capital for the periods are as follows:

	Number of common shares	\$
Balance - March 31, 2012	94,864,071	115,310,770
Repurchase of common shares (g)	(15,100)	(16,661)
	<hr/>	<hr/>
Balance - September 30, 2012	94,848,971	115,294,109
	<hr/>	<hr/>
Balance - April 1, 2011 (a)	49,882,078	4,000,000
Common shares issued on subscription receipts prior to the completion of RTO (a)	11,488,660	30,771,964
Capital movement pursuant to RTO (note 9)	274,360	800,000
Common shares issued to WISCO (b)	23,197,768	55,743,617
Common shares issued to MinMetals (c)	4,641,410	11,153,185
Common shares issued to non-brokered subscribers (d)	2,075,221	5,566,763
Common shares issued to employees and consultants (e)	1,273,201	2,970,000
Common shares issued on exercise of options (f)	20,577	70,665
	<hr/>	<hr/>
Balance - September 30, 2011	92,853,275	111,076,194
	<hr/>	<hr/>

- (a) The equity structure of Century Holdings had been restated to reflect the equity structure of the Company prior to the completion of RTO using the exchange ratio of 0.857 shares of the Company for each share of Century Holdings.
- (b) On May 18, 2011, the Company issued 23,197,768 common shares to WISCO at an issue price of \$2.624 per common share for gross proceeds of \$60,877,653. The common shares are subject to an 18 months lock-up.

The net proceeds of \$55,743,617 were allocated to share capital after the deduction of cash fee of \$3,348,271 and 1,391,866 warrants of \$1,785,765 to the finder.

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- (c) On May 18, 2011, the Company issued 4,641,410 common shares to MinMetals Exploration & Development (Luxembourg) Limited S.à.r.l. (“MinMetals”) at an issue price of \$2.624 per common share for gross proceeds of \$12,180,403. The common shares are subject to an 18 months lock-up.

The net proceeds of \$11,153,185 were allocated to share capital after the deduction of cash fee of \$669,922 and 278,485 warrants of \$357,296 to the finder.

- (d) On May 18, 2011, the Company issued 2,075,221 common shares to non-brokered subscribers at an issue price of \$2.916 per common share for gross proceeds of \$6,051,094.

The net proceeds of \$5,566,763 were allocated to share capital after the deduction of cash fee of \$327,250 and issued 122,433 warrants of \$157,081 to the finder.

- (e) On May 18, 2011, the Company issued 1,273,201 common shares to employees and consultants at an issue price of \$2.333 per common share for net proceeds of \$2,970,000, which were allocated to the share capital.

- (f) On May 31, 2011, 6,859 share options were exercised at an exercise price of \$2 per share, resulting in the issue of 6,859 common shares for a consideration of \$13,718. An amount of \$9,837 was transferred from the share option reserve to share capital upon the exercise of the share options.

- (g) The Company initiated an automatic purchase plan under a normal course issuer bid beginning on September 12, 2012. The number of common shares to be purchased during the period of the bid from August 22, 2012 to August 21, 2013 will not exceed 500,000 common shares or approximately 0.5% of the issued and outstanding common shares. Daily purchases will be limited to 4,503 common shares, save and except that the Company may be permitted to make block purchases. All purchases made pursuant to the bid will be made through the facilities of the TSX or other Canadian market places. Common shares purchased pursuant to the bid will be cancelled.

In September 2012, the Company repurchased 15,100 common shares under the plan with an aggregate cost of \$16,661.

11. Share options

The share options issued and outstanding as of September 30, 2012 are as follows:

	Number of options	Weighted average exercise price \$
Balance - March 31 and April 1, 2012	5,941,859	2.93
Options granted on April 26, 2012 (i)	600,000	2.92
Options granted on July 18, 2012 (i)	2,955,000	2.92
Forfeited	(60,000)	2.92
Expired	<u>(6,859)</u>	2.00
Balance - September 30, 2012	<u>9,430,000</u>	2.92

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- (i) The Group has adopted an incentive stock option plan (the “Plan”) which is administered by the Board of Directors of the Group. The Plan provides that the Board of Directors of the Group may from time to time, in its discretion and in accordance with TSX Venture Exchange Inc. or TSX requirements, grant to directors, officers, employees and consultants to the Group, options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. No more than an aggregate of 5% of the issued and outstanding common shares may be granted to any one individual in any 12 month period. No more than an aggregate of 2% of the issued and outstanding common shares may be granted to any one consultant in any 12 month period. No more than an aggregate of 2% of the issued and outstanding common shares may be granted to persons employed to provide investor relations activities, in any 12 month period. Options issued pursuant to the Plan will have an exercise price determined by the directors of the Group provided that the exercise price shall not be less than the price permitted by the TSX Venture Exchange Inc. or TSX.

On April 26, 2012, 600,000 options were granted to an employee. The fair value of the options granted has been estimated at the date of grant using the Black-Scholes option pricing model, using the following assumptions: an average risk free interest rate of 1.04%, dividend yield of 0%, volatility of 94% and an expected life of 4 years. 1/3 of the options vested on the issue date of the option, 1/3 of the options will vest on the first anniversary of the option date and 1/3 will vest on the second anniversary of the option date. The fair value of the options was estimated at \$641,547. The impact on share-based payment was \$351,824 for the six months ended September 30, 2012 (for the three months ended September 30, 2012: \$80,852).

On July 18, 2012, 2,955,000 options were granted to directors, employees and consultants. The fair value of the options granted has been estimated at the date of grant using the Black-Scholes option pricing model, using the following assumptions: an average risk free interest rate of 1.04%, dividend yield of 0%, volatility of 94% and an expected life of 4 years. 1/3 of the options vested on the issue date of the option, 1/3 of the options will vest on the first anniversary of the option date and 1/3 will vest on the second anniversary of the option date. The fair value of the options was estimated at \$1,557,718. The impact on share-based payment was \$677,149 for the six months ended September 30, 2012 (for the three months ended September 30, 2012: \$677,149).

The exercise prices and exercise periods of the share options outstanding as of September 30, 2012 are as follows:

Number of options	Exercise price \$	Exercise period
5,440,000	2.92	May 18, 2011 to May 17, 2016
435,000	2.92 - 4.00	December 14, 2011 to December 13, 2016
600,000	2.92	April 26, 2012 to April 25, 2017
<u>2,955,000</u>	2.92	July 18, 2012 to July 17, 2017
<u>9,430,000</u>		

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12. Warrants

The warrants issued and outstanding as of September 30, 2012 are as follows:

	Number of warrants	Amount \$	Weighted average exercise price \$	Expiry date
Balance - March 31 and September 30, 2012	<u>2,479,027</u>	<u>3,180,592</u>	2.92	November 17, 2012

13. Other operating income

	Three months ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Interest income	169,138	290,690	375,751	390,025
Other income	183	-	183	-
	<u>169,321</u>	<u>290,690</u>	<u>375,934</u>	<u>390,025</u>

14. Expenses by nature

	Three months ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Depreciation of property, plant and equipment	251,615	98,483	486,644	114,509
Less: capitalized as exploration and evaluation assets	<u>(209,420)</u>	<u>-</u>	<u>(412,931)</u>	<u>-</u>
Depreciation charged to profit or loss	<u>42,195</u>	<u>98,483</u>	<u>73,713</u>	<u>114,509</u>
Employee benefits expense				
Salaries and wages	1,811,578	508,054	3,339,697	777,921
Pension costs - defined contribution plans	2,938	-	9,394	-
Share option expenses	1,235,009	1,346,488	2,456,446	5,545,346
Less: capitalized as exploration and evaluation assets	<u>(811,802)</u>	<u>-</u>	<u>(1,859,999)</u>	<u>-</u>
	<u>2,237,723</u>	<u>1,854,542</u>	<u>3,945,538</u>	<u>6,323,267</u>

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15. Earnings / (loss) per share

The basic earnings / (loss) per share calculated amount is the same as the fully diluted earnings / (loss) per share amount as the Company's options and warrants are anti-dilutive.

16. Related party transactions

In addition to transactions detailed elsewhere in the condensed consolidated interim financial statements, the Group has the following related party transactions:

In connection with the deemed disposal of Labec Century (note 8), the Group has recognized a receivable of \$17,177,923, representing amounts owed to the Group by Labec Century at September 26, 2012 for exploration expenditures funded by the Group. This amount is subject to audit and approval by the Group's joint venture partner, WISCO, which could subsequently result in an adjustment to its carrying value upon completion of the aforementioned audit and applicable approval by WISCO. The Group expects the measurement of this receivable to be agreed prior to March 31, 2013.

As of September 30, 2012, the Group had accounts receivable of \$16,950 (March 31, 2012: \$16,950) from Augyva, which the President and CEO of the Group is the director of Augyva.

During the six months ended September 30, 2012 and the three months ended September 30, 2012, the Group incurred professional services fee of \$4,200 (for the six months ended September 30, 2011: \$32,212) and \$4,200 (for the three months ended September 30, 2011: \$16,780) respectively from Chim and Seto Consulting Services Inc., of which an immediate family member of the President and CEO of the Group is a shareholder.

The refundable off-take deposit of US\$8,000,000 from a related party, which amounted to \$7,865,600 as of September 30, 2012 (March 31, 2012: \$7,973,048), is non-interest bearing and repayable on demand. The deposit was subsequently reduced to US\$4,000,000 after the balance sheet date (note 19).

17. Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk including interest rate risk, foreign currency exchange risk and commodity price risk.

Risk management is carried out by the Group's management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Group's credit risk is primarily attributable to cash and receivables. Cash and cash equivalents are held with a major Canadian chartered bank. The Group's receivables mainly represented an amount owing from its joint venture Labec Century, which will be repaid by the joint venture after the audit by WISCO pursuant to the shareholders agreement. Management believes the risk of loss to be minimal.

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Liquidity risk

The Group's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of September 30, 2012, the Group had cash of \$41,442,432 to settle accounts payable and accrued liabilities of \$6,611,439. All of the Group's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates and foreign currency exchange rates.

(i) Interest rate risk

The Group has cash balances and no interest bearing debt. The Group's current policy is to invest excess cash in interest bearing accounts of a reputable Canadian chartered bank. The Group periodically monitors the investments it makes and is satisfied with the credit ratings of the reputable Canadian chartered bank holding the Group's cash. An absolute increase or decrease of 0.1% in the annual interest rate would not have a material impact on the net profit or equity at September 30, 2012.

(ii) Foreign currency exchange risk

The Group's principal functional currency is the Canadian Dollar and major purchases are transacted in Canadian Dollars. The primary driver of the Group's foreign currency exchange fluctuations is the off-take deposit denominated in the US Dollars. Management believes the foreign currency exchange risk derived from currency conversions is low and, therefore, does not hedge its foreign currency exchange risk.

18. Capital commitments

Pursuant to the Altius Agreement (note 5), the Company agreed to issue (i) an aggregate of 5,000,000 common shares at nil price (with 2,000,000 common shares issued on November 18, 2011 and 3,000,000 common shares issuable by November 18, 2013), and (ii) up to a maximum of 35,000,000 common shares upon satisfaction of certain milestones related to the definition of National Instrument 43-101 compliant iron ore resources above specific thresholds to acquire a 100% interest in four of Altius' regional iron ore projects in the Labrador Trough: Astray, Grenville, Menihek and Schefferville. In addition, the Company agreed to incur minimum exploration expenditures of \$7 million per project cumulatively over a 5-year period.

19. Subsequent events

In October 2012, with the approval from the Board of Directors, the Group has agreed to reduce the off-take deposit provided by a related party from US\$8,000,000 to US\$4,000,000. Accordingly, the Group repaid US\$4,000,000 to the related party on October 10, 2012.