Century Iron Mines Corporation

(An exploration stage mining company)

Condensed Consolidated Interim Financial Statements
(Unaudited)
December 31, 2013
(Expressed in Canadian Dollars)

Century Iron Mines Corporation
Condensed Consolidated Interim Statement of Financial Position
(Unaudited)
As of December 31, 2013

(Expressed in Canadian Dollars)

	Notes	December 31, 2013 $	March 31, 2013 $
Assets			
Current assets			
Cash and cash equivalents		32,188,534	19,359,987
Short term bank deposit		1,000,000	-
Accounts receivable	17	11,154,902	13,859,635
Sales taxes recoverable		515,492	5,185,956
Investment tax credits receivable	5	11,921,414	8,049,757
Prepaid expenses and deposits		920,983	795,532
		57,701,325	47,250,867
Non-current assets			
Exploration and evaluation assets	5	26,100,968	39,629,086
Property, plant and equipment	6	3,315,081	3,957,887
Derivative asset	7	8,941	-
Investment in a joint venture	8	59,546,800	58,991,381
Investment in an associate	9	1,547,516	1,547,516
		148,220,631	151,376,737
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		2,331,905	3,283,984
Current income tax liabilities		-	187,510
		2,331,905	3,471,494
Non-current liabilities			
Deferred tax		46,613	46,613
		2,378,518	3,518,107
Shareholders' Equity			
Share capital	10	117,253,165	115,023,227
Contributed surplus		2,758,368	2,758,368
Retained earnings		12,640,766	17,564,169
Other components of equity		13,189,814	12,512,866
		145,842,113	147,858,630
		148,220,631	151,376,737

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 nine months ended December 31, 2013

(Expressed in Canadian Dollars)

		Three months ended December 31,		Nine months ended December 31,	
		2013	**2012**	**2013**	**2012**
	Notes	**$**	**$**	**$**	**$**
Gain on deemed disposal of Labec Century		-	-	-	53,470,746
Other operating income	13	2,112,516	117,379	2,270,077	493,313
Administrative expenses	14	(1,920,456)	(3,217,313)	(7,162,529)	(9,771,355)
Other losses	15	(11,059)	-	(11,059)	-
Profit / (loss) before income tax		181,001	(3,099,934)	(4,903,511)	44,192,704
Income tax		(32,725)	-	(19,892)	-
Profit / (loss) for the period		148,276	(3,099,934)	(4,923,403)	44,192,704
Other comprehensive income / (loss)					
Exchange differences on translation of foreign operations		(151,782)	(30,729)	(184,284)	6,842
Total comprehensive income / (loss) for the period		(3,506)	(3,130,663)	(5,107,687)	44,199,546
Earnings / (loss) per common share – basic and diluted	16	0.002	(0.033)	(0.052)	0.466
Weighted average number of common shares outstanding		96,125,225	94,776,243	94,910,144	94,834,138

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 nine months ended December 31, 2013

(Expressed in Canadian Dollars)

	Share capital $	Contributed surplus $	Share option reserve $	Share award reserve $	Warrants $	Foreign currency translation reserve $	Retained earnings / (Deficit) $	Total $
Balance - April 1, 2013	115,023,227	2,758,368	12,570,181	-	-	(57,315)	17,564,169	147,858,630
Loss for the period	-	-	-	-	-	-	(4,923,403)	(4,923,403)
Other comprehensive loss for the period	-	-	-	-	-	(184,284)	-	(184,284)
Total comprehensive loss for the period	-	-	-	-	-	(184,284)	(4,923,403)	(5,107,687)
Shares repurchased (note 10(a))	(290,062)	-	-	-	-	-	-	(290,062)
Shares issued for the acquisition of Altius properties (note 10(b))	1,500,000	-	-	-	-	-	-	1,500,000
Shares issued for the Attikamagen acquisition transaction (note 10(c))	1,020,000	-	-	-	-	-	-	1,020,000
Equity-settled share-based compensation arrangement (note 11)	-	-	805,613	35,619	-	-	-	841,232
Warrants issued for the Attikamagen acquisition transaction (note 12)	-	-	-	-	20,000	-	-	20,000
Balance - December 31, 2013	117,253,165	2,758,368	13,375,794	35,619	20,000	(241,599)	12,640,766	145,842,113
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	-	-	-	-	-	-	44,192,704	44,192,704
Other comprehensive income for the period	-	-	-	-	-	6,842	-	6,842
Total comprehensive income for the period	-	-	-	-	-	6,842	44,192,704	44,199,546
Shares repurchased	(158,002)	-	-	-	-	-	-	(158,002)
Equity-settled share-based compensation arrangement	-	-	3,352,177	-	-	-	-	3,352,177
Share options expired	-	-	(9,838)	-	-	-	9,838	-
Warrants expired	-	3,180,592	-	-	(3,180,592)	-	-	-
Balance - December 31, 2012	115,152,768	3,180,592	11,821,387	-	-	2,259	26,606,647	156,763,653

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

Century Iron Mines Corporation
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited)
For the three and nine months ended December 31, 2013

(Expressed in Canadian Dollars)

	Notes	Three months ended December 31, 2013 $	Three months ended December 31, 2012 $	Nine months ended December 31, 2013 $	Nine months ended December 31, 2012 $
Cash provided by / (used in)					
Operating activities					
Profit / (loss) before income tax		181,001	(3,099,934)	(4,903,511)	44,192,704
Adjustments for					
Bank interest received		(72,477)	(109,340)	(208,366)	(485,091)
Depreciation of property, plant and equipment	14	106,723	47,768	636,478	121,481
Loss on disposals of fixed assets		-	-	16,515	-
Foreign exchange (gain) / loss		(175,527)	38,482	(203,133)	(24,732)
Share-based compensation expenses	11	162,420	857,543	841,232	3,352,177
Loss on changes in fair value of derivatives	15	11,059	-	11,059	-
Gain on deemed disposal of Labec Century		-	-	-	(53,470,746)
Unrealized profit from sales to joint venture		-	199,697	-	199,697
Changes in accordance with the cost allocation proposal with WISCO	8	(555,419)	-	(555,419)	-
Changes in non-cash working capital					
Decrease / (increase) in accounts receivable		(2,885,232)	(963,701)	3,907,441	(1,229,172)
Decrease / (increase) in sales taxes recoverable		2,825,574	832,455	4,670,464	(3,096,448)
Decrease / (increase) in prepaid expenses and deposits		151,694	358,929	(125,451)	(816,399)
Increase / (decrease) in accounts payable and accrued liabilities		774,900	(3,176,098)	307,946	(2,333,577)
Decrease in deposit received		-	(7,973,048)	-	(7,973,048)
Cash flows from operating activities		524,716	(12,987,247)	4,395,255	(21,563,154)
Income tax paid		(90,955)	-	(317,587)	-
Net cash generated by / (used in) operating activities		433,761	(12,987,247)	4,077,668	(21,563,154)
Investing activities					
Bank interest received		72,477	109,340	208,366	485,091
Short term bank deposit		-	-	(1,000,000)	-
Exploration and evaluation assets		(1,121,105)	(3,910,786)	(1,565,217)	(21,187,578)
Reimbursement received for Sunny Lake exploration expenditures	5	-	-	8,612,875	-
Investment tax credits received		328,206	316,791	3,001,480	403,263
Deposit received for the transfer of Astray property		-	500,000	-	500,000
Net cash outflow from deemed disposal of Labec Century		-	-	-	(176,756)
Acquisition of property, plant and equipment	6	(90,621)	(68,190)	(228,123)	(428,450)
Net cash generated by / (used in) investing activities		(811,043)	(3,052,845)	9,029,381	(20,404,430)
Financing activities					
Repurchase of shares	10	(147,513)	(141,341)	(290,062)	(158,002)
Net cash used in financing activities		(147,513)	(141,341)	(290,062)	(158,002)
Net change in cash and cash equivalents		(524,795)	(16,181,433)	12,816,987	(42,125,586)
Cash and cash equivalents - Beginning of period		32,694,025	41,442,432	19,359,987	67,391,504
Effect of foreign exchange rate changes, net		19,304	35,375	11,560	30,456
Cash and cash equivalents - End of period		32,188,534	25,296,374	32,188,534	25,296,374

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

1. Nature of operations

Century Iron Mines Corporation (the “Company”) was incorporated under the Canada Business Corporations Act on July 10, 2007. The Company is a base metal exploration and mining company with assets in the Provinces of Quebec and Newfoundland and Labrador, Canada.

The Company is a public limited company, which is listed on the Toronto Stock Exchange (the “TSX”) under the symbol “FER”. The Company is incorporated and domiciled in Canada. Its registered office is located at Suite 1301, 200 University Avenue, Toronto, Ontario, Canada M5H 3C6. 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 February 14, 2014.

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, 2013, 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.

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement in the period in which they arise.

Short term bank deposits

Short term bank deposits include short term deposits with banks with original maturities at purchase date of one year or less, but more than three months.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met, as described below.

The Group provides management services for mining and exploration projects. Revenue is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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.

(a) 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.

(b) Valuation of accounts receivable

The fair value of accounts receivable is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. A degree of judgment is required in establishing the fair value. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of accounts receivable.

(Expressed in Canadian Dollars)

(c) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(d) Share option expenses

The Group grants share options to directors, officers, employees and consultants of the Group under its equity incentive 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.

(e) Classification of joint arrangements

The Group owns 60% interest in Labec Century Iron Ore Inc. ("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.

5. Exploration and evaluation assets

	Duncan Lake property $	Sunny Lake property $	Altius properties $	Other property $	Total $
Balance - March 31 and April 1, 2013	15,729,444	15,983,419	7,283,494	632,729	39,629,086
Additions, net of investment tax credits and changes in accordance with the cost allocation proposal with WISCO (note 8)	(769,434)	(6,019,608)	1,907,681	(33,882)	(4,915,243)
Reimbursement of Net Initial Exploration Expenditures	-	(8,612,875)	-	-	(8,612,875)
Balance - December 31, 2013	14,960,010	1,350,936	9,191,175	598,847	26,100,968

The Group has accrued $11,921,414 (March 31, 2013: $8,049,757) 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, the Company's wholly-owned subsidiary Canadian Century Iron Ore Corporation ("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. The transfer registration was completed in May 2013, with Canadian Century owning 65% interest in the Duncan Lake property.

According to the framework as set up in the joint venture agreement entered into between the Company and WISCO International Resources Development & Investment Limited ("WISCO") on August 30, 2011, WISCO may earn a 40% joint venture interest in the Company's interest in the Duncan Lake property. As of the balance sheet date, WISCO has not executed the definitive joint venture agreement, therefore, Canadian Century continues to recognize its share of costs incurred in the Duncan Lake property.

Sunny Lake property

The mining claims were formerly held solely by 0849873 B.C. Ltd. ("B.C. Ltd."), a wholly-owned subsidiary of the Company.

On December 19, 2011, the Company and WISCO entered into the Sunny Lake joint venture agreement (the "Sunny Lake JV Agreement") that governs the joint venture that has been formed between the Company and WISCO for the exploration and development of the Sunny Lake property (the "Sunny Lake Joint Venture"). Under the original Sunny Lake JV Agreement, WISCO could earn a 40% interest in the Sunny Lake property by investing a total of $40 million in the Sunny Lake Joint Venture.

The operating company for the Sunny Lake Joint Venture, WISCO Century Sunny Lake Iron Mines Limited ("WISCO Century Sunny Lake" or the "Operator"), was incorporated on June 29, 2012. B.C. Ltd. has transferred its interest in the Sunny Lake property to the Operator as a prescribed closing procedure provided for in the Sunny Lake JV Agreement, with the Sunny Lake property now held in trust for B.C.Ltd. and WISCO Canada Sunny Lake Resources Development & Investment Limited ("WISCO Sunny Lake") in accordance with their interests in the Sunny Lake Joint Venture under the Sunny Lake JV Agreement.

On November 28, 2012, with the completion of the closing procedures prescribed in the Sunny Lake JV Agreement, the Company and WISCO entered into a closing agreement (the "Sunny Lake Closing Agreement"). Pursuant to the Sunny Lake Closing Agreement, WISCO Sunny Lake agreed to purchase from B.C. Ltd. a percentage interest in the Sunny Lake Joint Venture determined as (i) the amount equal to the audited direct exploration expenditures incurred by the Group on the Sunny Lake property from January 13, 2011 to November 28, 2012 (the “Sunny Lake Initial Exploration Expenditures”), divided by (ii) $100,000,000 with the quotient multiplied by 100%. The purchase price for the interest in the Sunny Lake Joint Venture to be paid by WISCO Sunny Lake was agreed to equal the amount of the Sunny Lake Initial Exploration Expenditures, less tax credits received by B.C. Ltd. in connection with the Sunny Lake Initial Exploration Expenditures (the “Net Initial Exploration Expenditures”). The Sunny Lake Closing Agreement further provided that the amount of WISCO Sunny Lake’s required contribution under the Sunny Lake JV Agreement would be reduced by an amount equal to the Sunny Lake Initial Exploration Expenditures upon payment of the purchase price to B.C. Ltd. Accordingly, WISCO Sunny Lake will fund new exploration expenditures up to $40 million less the amount of the Sunny Lake Initial Exploration Expenditures and earn 1% of interest in the Sunny Lake Joint Venture for every $1 million funded and expended on the Sunny Lake property.

On April 2, 2013, B.C. Ltd. received the reimbursement of the Net Initial Exploration Expenditures on its Sunny Lake property amounting to $8,612,875 from WISCO Sunny Lake pursuant to the Sunny Lake JV Agreement and the Sunny Lake Closing Agreement. The amount represents the Sunny Lake Initial Exploration Expenditures of $17,096,459, less estimated tax credits relating to such exploration expenditures of $8,483,584 that are available to the Group.

As a result of this payment, on April 2, 2013, WISCO Sunny Lake acquired a 17.1% interest in the Sunny Lake property, while the Group’s interest in the property was reduced to 82.9%. Further, the obligation of WISCO Sunny Lake to fund further exploration expenditures on the Sunny Lake property was reduced by approximately $17.1 million to $22.9 million.

At December 31, 2013, the Group owns 82.9% of the Sunny Lake property.

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, Menihek 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.

On November 18, 2011 and November 18, 2013, the Company issued 2,000,000 and 3,000,000 common shares respectively to Altius pursuant to the Altius Agreement. 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 and November 18, 2013 with amounts of $4,200,000 and $1,500,000 respectively capitalized to exploration and evaluation assets.

On November 30, 2012, the Company entered into a shareholders’ agreement (the “X-Star Agreement”) with X-Star Mining (Luxembourg) Limited (“X-Star”) and Northern Star Minerals Ltd. (“Northern Star”),

whereby the Company agreed to transfer its rights to acquire the Astray-X project, which represents 85.25% of the Astray property acquired under the Altius Agreement, and the project's associated obligations to Northern Star, in exchange for a 20% equity interest in and 1,500,000 non-voting redeemable preference shares of Northern Star, plus $5 million of funding from X-Star on the Astray-X project.
Under an assignment agreement concluded on the same date, the title transfer documents of the Astray-X project were held under an escrow account and would be released to Northern Star when X-Star, the major shareholder of Northern Star, has completed its initial capital contribution of $5 million into Northern Star. On February 15, 2013, the Company agreed to amend the assignment agreement to allow the release of the title transfer documents from escrow upon execution of a notice signed by the relevant parties. The Astray-X property has been disposed of as of that date. The transfer of the title of the Astray-X property was completed on February 26, 2013.

On November 30, 2012, Altius agreed to amend the provisions of the Altius Agreement to provide for an option to replace the then remaining 750,000 common shares of the Company issuable to Altius for the acquisition of the Astray project, and up to a maximum of 8 million "bonus" shares for the project, with common shares issuable by Northern Star as adjusted by certain equivalence formulae stipulated in an assignment agreement. The then remaining 750,000 acquisition shares of the Astray project were issued by the Company to Altius on November 18, 2013.

On December 17, 2012, Northern Star redeemed 500,000 of the non-voting redeemable preference shares from the Company at a price of $500,000 pursuant to the X-Star Agreement. The remaining 1,000,000 preference shares are redeemable by Northern Star upon satisfaction of certain conditions specified in the X-Star Agreement. The redemption value of the remaining preference shares will be calculated as the sum of 85.25% of the fair market value of the Company's shares issued to Altius for the acquisition of the Astray property and the actual exploration expenditure incurred by the Company on the Astray-X project before November 30, 2012, less the $500,000 consideration already received.

(Expressed in Canadian Dollars)

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, 2013	169,677	2,693,923	1,461,497	320,332	321,009	427,189	5,393,627
Additions	-	22,927	63,617	91,969	23,869	25,741	228,123
Disposals	-	-	-	(27,525)	-	-	(27,525)
Exchange differences	-	-	-	11,756	1,882	-	13,638
Balance - December 31, 2013	169,677	2,716,850	1,525,114	396,532	346,760	452,930	5,607,863
Accumulated depreciation							
Balance - March 31 and April 1, 2013	-	735,359	332,894	94,840	147,580	125,067	1,435,740
Depreciation	-	422,176	222,751	62,021	88,573	66,182	861,703
Disposals	-	-	-	(11,010)	-	-	(11,010)
Exchange differences	-	-	-	5,274	1,075	-	6,349
Balance - December 31, 2013	-	1,157,535	555,645	151,125	237,228	191,249	2,292,782
Net book value							
Balance - December 31, 2013	169,677	1,559,315	969,469	245,407	109,532	261,681	3,315,081
Balance - March 31, 2013	169,677	1,958,564	1,128,603	225,492	173,429	302,122	3,957,887

7. Derivative asset

On November 29, 2013, the Company issued to Champion Iron Mines Limited ("Champion") 1 million warrants, which were held in escrow by an independent third party at December 31, 2013 and were subsequently released from escrow on January 31, 2014 (note 20), as part of the consideration paid for the acquisition of Champion's remaining interest in the Attikamagen property (note 8). Details of the consideration warrants are provided in note 12. Labec Century has agreed to pay to the Company the fair value of any warrants exercised by Champion based on the difference between the exercise price and the market price at the exercise date of any warrants. The Company recognized a derivative asset for the aforesaid receivable from Labec Century and designated the financial asset as at fair value through profit or loss.

(Expressed in Canadian Dollars)

8. Investment in a joint venture

The Group's investment in Labec Century is as follows:

	$
Balance - March 31 and April 1, 2013	58,991,381
Share of profit or loss of Labec Century	-
Changes in accordance with the cost allocation proposal with WISCO	555,419
Balance - December 31, 2103	59,546,800

Labec Century was formerly a wholly-owned subsidiary of the Company.

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 property by investing a total of $40 million.

On September 26, 2012, the initial closing procedures prescribed in the Attikamagen Shareholders Agreement were completed, with WISCO Canada Attikamagen Resources Development & Investment Limited ("WISCO Attikamagen") purchasing from Labec Century (i) 40 million Class A voting non-equity common shares, representing 40% of the outstanding voting non-equity common shares of Labec Century, for $4,000, and (ii) 20 million Class B non-voting equity shares, representing 25% of the outstanding non-voting equity common shares of Labec Century, for $20 million. As part of a reorganization completed prior to the initial closing procedures, the Company's wholly-owned subsidiary Century Iron Ore Holdings Inc. ("Century Holdings") (i) purchased 60 million Class A voting non-equity shares, representing 60% of the outstanding voting non-equity common shares of Labec Century, for $6,000, and (ii) exchanged its then outstanding common shares of Labec Century for 60 million Class C non-voting equity shares, representing 75% of the outstanding non-voting equity shares of Labec Century. On September 19, 2013, WISCO Attikamagen purchased an additional 20 million Class B non-voting equity shares for a subscription price of $20 million. After the subscription, WISCO Attikamagen's ownership is increased to 40% of the non-voting equity shares of Labec Century, while Century Holdings' ownership is reduced to 60% of the non-voting equity shares. As a result of completion of the initial closing transactions in 2012, 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.

At the balance sheet date, the Group owns 60% interest in Labec Century. 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 the Province of Quebec, Canada.

The summarized financial information of Labec Century as of December 31, 2013 is as follows:

	$'000
Assets	
Current assets	28,109
Non-current assets	35,585
Liabilities	
Current liabilities	10,100
Non-current liabilities	9
Cash and cash equivalents	22,314
Current financial liabilities	-

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.

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.

On September 30, 2013, the Company entered into an agreement to acquire from Champion its remaining interest in the Attikamagen property. Consideration for the purchase is 2 million common shares issued from the Company's treasury and 1 million warrants of the Company with variable exercise prices of $0.75 to $2.50 per share over the 5-year life of the warrants. In addition, Champion will receive a 2% net smelter return royalty on iron and minerals produced from the property.

On November 29, 2013, the Company issued to Champion 2 million common shares and 1 million warrants, which were held in escrow by an independent third party at December 31, 2013 and will be released from escrow upon completion of title transfer registrations, at which time the royalty agreement will also become effective, and Labec Century will own 100% interest in the Attikamagen property. The Company's shares issued to Champion are subject to a 2-year lock-up period, followed by a right of first refusal in favour of the Company. Labec Century has agreed to pay to the Company the fair value of the common shares issued to Champion based on the November 28, 2013 closing price of the Company's shares on the TSX amounting to $1.02 million, and an amount for any warrants exercised based on the difference between the exercise price and the market price of the shares at the exercise date of any warrants. Labec Century has issued a certified cheque of $1.02 million in favour of the Company. The certified cheque was held under escrow at December 31, 2013 and will be released upon completion of title transfer registrations. Further details of the consideration shares and warrants are provided in note 10 and note 12 respectively.

Subsequent to the balance sheet date, on January 31, 2014, the title transfer registrations were completed, Labec Century became the sole owner of the Attikamagen property. The shares and warrants were released from escrow to Champion, and the Company received the $1.02 million from Labec Century (note 20).

(Expressed in Canadian Dollars)

Exploration and evaluation expenditures reimbursement by joint ventures

During the period, the Group has been in discussions with WISCO on the cost allocation mechanism for the ongoing exploration and evaluation expenditures of the Attikamagen and the Sunny Lake properties being incurred and paid by the Group on behalf of the joint ventures after the establishment of the joint ventures in September 2012 and November 2012 respectively. The Company and WISCO have reached a preliminary agreement on the cost allocation proposal. According to the proposal, the joint ventures will reimburse the Group for its exploration and evaluation expenditure incurred and paid on behalf of the joint ventures since the establishment of the joint ventures. In addition, the Group and WISCO also agreed on the sale of the Group's certain fixed assets for exploration and evaluation purposes to Labec Century on prevailing market terms. The actual amount of the expenditure reimbursement and the fixed assets sale is subject to an independent audit. The Group and WISCO further agreed to reflect the aforesaid proposed transaction in the current quarter and as of December 31, 2013 at a provisional amount mutually agreed between the two parties. Any difference as a result of the audit will be adjusted prospectively. As such, the Group has reflected in its financial statements the impact of the proposed transaction and recognized a management fee income of $2.0 million in the current period (note 13).

9. Investment in an associate

The Group's investment in Northern Star is as follows:

	$
Balance - March 31 and April 1, 2013	1,547,516
Share of profit or loss of Northern Star	-
Balance - December 31, 2013	1,547,516

At the balance sheet date, the Group owns 20% interest in Northern Star. The principal activities of Northern Star are to explore and develop the Astray-X property. Its principal place of business is in the Province of Newfoundland and Labrador, Canada.

(Expressed in Canadian Dollars)

10. Share capital

Authorized

Unlimited number of common shares, with no par value.

Issued and fully paid

The changes in share capital during the period are as follows:

	Number of common shares	$
Balance - March 31 and April 1, 2013	94,474,158	115,023,227
Repurchase of common shares (a)	(611,587)	(290,062)
Common shares issued for the acquisition of Altius properties (b)	3,000,000	1,500,000
Common shares issued for the Attikamagen acquisition transaction (c)	2,000,000	1,020,000
Balance - December 31, 2013	98,862,571	117,253,165

(a) The Company initiated an automatic purchase plan under a normal course issuer bid ("NCIB") beginning on September 12, 2012. The NCIB was amended in May 2013 such that the number of common shares authorized for purchase during the period of the bid from August 22, 2012 to August 21, 2013 would not exceed 2,500,000 common shares. Daily purchases were limited to 16,167 common shares, save and except that the Company was permitted to make block purchases. The NCIB expired in August 2013. During the period when the program operated, a total of 677,000 common shares were repurchased and cancelled.

The NCIB was renewed in September 2013. The renewed NCIB is effective between September 17, 2013 and September 16, 2014. It allows for the purchase of up to 1,823,000 of the Company's outstanding common shares, and the purchase of up to 14,094 common shares on any given day other than under a block purchase or otherwise in a permitted transaction that is exempted from this daily limit under TSX policies.

During the nine months ended December 31, 2013, the Company repurchased for cancellation 611,587 common shares under the plan with an aggregate cost of $290,062.

(b) On November 18, 2013, the Company issued 3,000,000 common shares to Altius for the acquisition of certain properties pursuant to the Altius Agreement (note 5). The common shares are subject to a 12-month lock-up period. The value of the shares amounted to $1,500,000 ($0.50 per share).

(c) On November 29, 2013, the Company issued to Champion 2,000,000 common shares, which were held in escrow by an independent third party at December 31, 2013 and were subsequently released from escrow on January 31, 2014 (note 20), for the acquisition from Champion its remaining interest in the Attikamagen property by Labec Century. The common shares are subject to a 2-year lock-up period. The value of the shares amounted to $1,020,000 ($0.51 per share). Further details of the transaction are provided in note 8.

(Expressed in Canadian Dollars)

11. Share-based compensation arrangement

The Group has adopted an equity incentive 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, at 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 and other forms of equity-based incentive compensation, provided that the number of common shares issued and reserved for issuance will not exceed 15% of the issued and outstanding common shares, and that to insiders will not exceed 10% of the issued and outstanding common shares.

Share options

Share options granted under the Plan 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.

Share options issued under the Plan and outstanding as of December 31, 2013 are as follows:

	Number of options	Weighted average exercise price $
Balance - April 1 and December 31, 2013	9,870,000	2.92

The exercise prices and exercise periods of the share options outstanding as of December 31, 2013 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
2,955,000	2.92	July 18, 2012 to July 17, 2017
440,000	2.92	November 12, 2012 to November 11, 2017
9,870,000		

As of the balance sheet date, the weighted average remaining contractual life of the outstanding share options is 2.9 years.

(Expressed in Canadian Dollars)

Share award

Under the Plan, the Board may grant awards of share units subject to vesting and other terms and conditions at its discretion as to performance, milestones, other internal or external conditions, or length of the grantee's employment or service provision. The Board shall also determine at its discretion, at any time before or after vesting until actual settlement, whether payment under the share units will be made in common shares, cash, securities or other property, or a combination thereof.

Share units granted under the Plan and outstanding as of December 31, 2013 are as follows:

	Number of share units	Weighted average fair value at the measurement date $
Granted on November 14, 2013 and balance - December 31, 2013	1,774,000	0.49

On November 14, 2013, an aggregate of 1,774,000 share units were granted under the Plan to the Company's directors, officers and employees. The share units have been allocated to the grantees under 3 types of vesting conditions: time-based, operational targets and financial target.

(i) Under the time-based vesting condition, the share units will be fully vested if the individual grantee is still employed by the Company on November 14, 2016, being the third anniversary of the grant date. 887,000 share units have been allocated under this condition. The vesting date and the expiry date of the share units are November 14, 2016.

(ii) Under the operational targets vesting condition, the share units will be vested upon the achievement of certain mining and exploration related targets set out by the Board. The actual amount of share units to be vested under these operational targets will vary depending on the level of performance relative to the targets based on an award multiplier of 0% to 200%. 443,500 share units have been allocated under this condition. The vesting date of the share units will be the achievement dates of the respective operational targets, and the share units will expire 10 years after the grant date on November 13, 2023. Management estimated that the achievement dates of the operational targets would be March 31, 2016 and November 14, 2016 with an estimated award multiplier of 100%.

(iii) Under the financial target vesting condition, the share units will be vested if the 2-year average annualized cash costs of iron ore produced and shipped for the projects of the Company or under its joint arrangements meet certain target set out by the Board and the 2-year earnings before interest, taxes, depreciation and amortization (EBITDA) of the projects is positive. The actual amount of share units to be vested under the financial target will vary depending on the level of performance relative to the target based on an award multiplier of 0% to 200%. 443,500 shares have been allocated under this condition. The vesting date of the share units will be the achievement date of the financial target, and the share units will expire 10 years after the grant date on November 13, 2023. Management estimated that the achievement date of the financial target would be March 31, 2018 with an estimated award multiplier of 100%.

The fair value of the share units granted was estimated based on the market price of the Company's common shares on the date of grant.

(Expressed in Canadian Dollars)

12. Warrants

The warrants issued and outstanding as of December 31, 2013 are as follows:

	Number of warrants	Weighted average exercise price $
Issued on November 29, 2013 and balance - December 31, 2013	1,000,000	0.75

On November 29, 2013, the Company issued to Champion 1 million warrants, which were held in escrow by an independent third party at December 31, 2013 and were subsequently released from escrow on January 31, 2014 (note 20), as part of the consideration paid for the acquisition of Champion's remaining interest in the Attikamagen property. The warrants have an expiry date of November 29, 2018 and are exercisable as follows: (i) on or before November 29, 2014: $0.75 per share; (ii) after November 29, 2014 and on or before November 29, 2015: $1.00 per share; (iii) after November 29, 2015 and on or before November 29, 2016: $1.50 per share; (iv) after November 29, 2016 and on or before November 29, 2017: $2.00 per share; and (v) after November 29, 2017 and on or before November 29, 2018: $2.50 per share. Furthermore, Labec Century has agreed to pay to the Company the fair value of any warrants exercised by Champion based on the difference between the exercise price and the market price at the exercise date of any warrants. Further details of the transaction are provided in note 8.

The fair value of the warrants was estimated at $20,000 at the date of issue using a binomial option pricing model. The assumptions used were as follows: annual risk-free interest rate of 1.07%, implied volatility of 34% and expected life of 5 years.

As of the balance sheet date, the weighted average remaining contractual life of the outstanding warrants is 4.9 years.

13. Other operating income

	Three months ended December 31,		Nine months ended December 31,	
	2013 $	2012 $	2013 $	2012 $
Management fee income recognized in accordance with the cost allocation proposal with WISCO (note 8)	2,025,132	-	2,025,132	-
Interest income	77,059	117,379	226,734	493,313
Other income	10,325	-	18,211	-
	2,112,516	117,379	2,270,077	493,313

(Expressed in Canadian Dollars)

14. Expenses by nature

	Three months ended December 31, 2013 $	Three months ended December 31, 2012 $	Nine months ended December 31, 2013 $	Nine months ended December 31, 2012 $
Depreciation of property, plant and equipment	289,431	254,613	861,703	741,257
Less: capitalized as exploration and evaluation assets	-	(206,845)	(42,517)	(619,776)
Less: reimbursement by joint ventures	(182,708)	-	(182,708)	-
Depreciation charged to profit or loss	106,723	47,768	636,478	121,481
Employee benefits expense				
Salaries and wages	1,263,075	1,332,264	4,956,701	4,671,961
Share-based compensation expenses	155,961	833,811	814,586	3,290,257
Less: capitalized as exploration and evaluation assets	(14,363)	(665,527)	(320,356)	(2,525,526)
Less: reimbursement by joint ventures	(2,197,288)	-	(2,197,288)	-
	(792,615)	1,500,548	3,253,643	5,436,692

15. Other losses

	Three months ended December 31, 2013 $	Three months ended December 31, 2012 $	Nine months ended December 31, 2013 $	Nine months ended December 31, 2012 $
Loss arising from change in fair value of financial asset designated as at fair value through profit or loss	11,059	-	11,059	-

16. 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 are anti-dilutive.

17. Related party transactions

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

(i) As of December 31, 2013, the Group had accounts receivable of $7,764,438 (March 31, 2013: $13,697,158) from Labec Century. The balance mainly comprised (i) exploration expenditure of the Attikamagen property incurred and paid by the Group on behalf of Labec Century after

(Expressed in Canadian Dollars)

Labec Century became the Group's joint venture and the fixed assets to be sold by the Group to Labec Century on prevailing market terms (further details of the cost allocation proposal are provided in note 8); and (ii) fair value of the Company's consideration shares issued to Champion amounting to $1.02 million for the acquisition of Champion's remaining interest in the Attikamagen property payable by Labec Century (note 8). The $1.02 million was subsequently received on January 31, 2014 (note 20).

In June 2013, the Group received the repayment of $11,429,435 from Labec Century in relation to Labec Century's audited exploration expenditures previously funded by the Group and reimbursed pursuant to the Attikamagen Shareholders Agreement.

(ii) As of December 31, 2013, the Group had accounts receivable of $3,253,892 (March 31, 2013: Nil) from WISCO Century Sunny Lake. The balance represented exploration expenditure of the Sunny Lake property incurred and paid by the Group on behalf of WISCO Century Sunny Lake (further details of the reimbursement proposal are provided in note 8).

(iii) As of December 31, 2013, the Group had accounts receivable of $16,950 (March 31, 2013: $16,950) from Augyva. The President and CEO and a key officer of the Group are directors of Augyva.

(b) During the period, the remuneration of the Group's directors and officers, before reimbursement by joint ventures, is summarized below:

	Three months ended December 31,		Nine months ended December 31,	
	2013	2012	2013	2012
	$	$	$	$
Salaries	431,760	218,500	2,076,957	1,624,972
Share-based compensation expenses	114,311	681,070	565,056	2,882,801
	546,071	899,570	2,642,013	4,507,773

18. 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 and foreign currency exchange 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 and short term bank deposit are held with major Canadian chartered banks. The Group's receivables mainly represented an amount owing from its joint venture Labec Century. Management believes the risk of loss to be minimal.

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 December 31, 2013, the Group had cash and cash equivalents and short term bank deposit of $33,188,534 to settle accounts payable and accrued liabilities of $2,331,905. Most 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.

(a) Interest rate risk

The Group has cash balances only and it has no interest bearing debt. The Group’s current policy is to invest excess cash in interest bearing accounts of reputable Canadian chartered banks. The Group periodically monitors the investments it makes and is satisfied with the credit ratings of the reputable Canadian chartered banks 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 loss or equity at December 31, 2013.

(b) Foreign currency exchange risk

The Group’s principal functional currency is the Canadian Dollar and major purchases are transacted in Canadian Dollars. The principal drivers of the Group’s foreign currency exchange fluctuations are the foreign currency transactions and the translation of the foreign currency monetary items of the Group’s overseas subsidiaries. Management believes the foreign currency exchange risk derived from currency conversions is low and, therefore, does not hedge its foreign currency exchange risk.

19. Capital commitments

(a) Pursuant to the Altius Agreement (note 5), the Company agreed to issue (i) an aggregate of 5,000,000 common shares at nil proceeds (with 2,000,000 common shares issued on November 18, 2011 and 3,000,000 common shares issued on 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.

In connection with the transfer of the Astray-X project to Northern Star as described in note 5, on November 30, 2012, Altius agreed to amend the provisions of the Altius Agreement to provide for an option to replace the then remaining 750,000 common shares of the Company issuable to Altius for the acquisition of the Astray project, and up to a maximum of 8 million “bonus” shares for the project, with common shares issuable by Northern Star as adjusted by certain equivalence formulae stipulated in an assignment agreement. Pursuant to the X-Star Agreement, the Company has transferred the associated obligations of the Astray-X project to Northern Star. The then remaining 750,000 acquisition shares of the Astray project were issued by the Company to Altius on November 18, 2013.

(b) The Company initiated an automatic purchase plan under an NCIB beginning on September 12, 2012. The NCIB was amended in May 2013 such that the number of common shares authorized for purchase during the period of the bid from August 22, 2012 to August 21, 2013 would not exceed 2,500,000 common shares. Daily purchases were limited to 16,167 common shares, save and except that the Company was permitted to make block purchases. The NCIB expired in August 2013. During the period when the program operated, a total of 677,000 common shares were repurchased and cancelled.

The NCIB was renewed in September 2013. The renewed NCIB is effective between September 17, 2013 and September 16, 2014. It allows for the purchase of up to 1,823,000 of the Company's outstanding common shares, and the purchase of up to 14,094 common shares on any given day other than under a block purchase or otherwise in a permitted transaction that is exempted from this daily limit under TSX policies.

20. Subsequent events

On January 31, 2014, the title transfer registrations of the acquisition of Champion's remaining interests were completed, Labec Century became the sole owner of the Attikamagen property. 2 million common shares and 1 million warrants of the Company were released from escrow to Champion, and the Company received $1.02 million from Labec Century for the shares issued.