Maison Placements Canada

# Century Iron Mines

| | | | |
|---|---|---|---|
| Date | 05-Oct-13 | Basic Shares Outstanding (mm) | 94.5 |
| Ticker | TSX:FER | Diluted Shares Outstanding (mm) | 104.3 |
| Market Capitalization (mm) | $46.3 | Corporate Cash & Equivalents (mm) | $34.1 |
| Share Price | $0.49 | Net Working Capital (mm) | $50.0 |
| 52-week High | $1.25 | Debt (mm) | $0.0 |
| 52-week Low | $0.30 | *Balance sheet and share data as of June 30, 1013* | |

## Ahead of the Curve

Century Iron Mines is a developer of iron ore projects in Canada's Labrador Trough. The company's flagship project is Joyce Lake, a DSO (Direct Shipping Ore) project slated for production by 2016. Additional DSO prospects include Lac Le Fer and Schefferville West.

Century stands out from the universe of junior iron ore developers by virtue of its focus on DSO (low technical risk, capex, and development time), strong strategic partnerships with WISCO and Minmetals, and solid funding profile that should allow the first project to advance without additional equity dilution.

We believe the shares could see substantial upside if we consider the various elements of current value and future value creation:

- Working capital at the parent company level totaling $50mm, or $0.52/share
- Joyce Lake DSO value of $0.17/share currently, or $0.38/share if the mine life is extended by 2 years
- Lac Le Fer DSO "blue sky" valuation of over $1.00/share
- Schefferville West DSO "blue sky" valuation of over $1.00/share
- Taconite/magnetite resource value of $0.12/share, with significant upside potential

**In short, successful advancement of all three DSO projects could warrant a valuation close to $3.00/share for Century, with an embedded call option on major taconite/magnetite projects.**

Over the near term, we look forward to the following catalysts pertaining to the Joyce Lake project to unlock value in the shares:

- Q4/13 – Updated resource estimate (which could underpin a longer mine life)
- 2014 – Bankable Feasibility Study
- 2014 – Offtake agreement for remaining 40% of product (assuming WISCO subscribes for 60%)
- 2015 – Pre-stripping and pre-production start

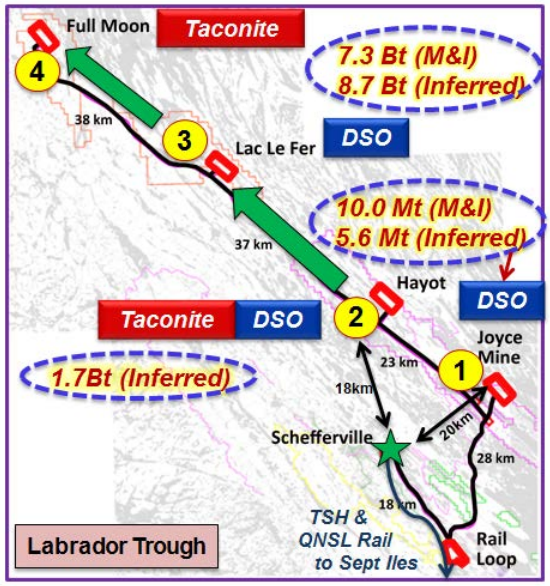
## Company Profile

Century Iron Mines is a developer of iron ore projects in Canada's Labrador Trough, a prolific iron ore region where numerous producers have operated since the 1950's. The company's flagship project is Joyce Lake, a DSO (Direct Shipping Ore) project slated for production by 2016, while additional DSO targets are advancing through the exploration stage. As competing junior iron ore developers struggle through a range of challenges to advance their projects, Century stands out with several unique traits that place it ahead of its peers:

- **DSO focus** – Century's initial production is centered on DSO projects. DSO refers to high-grade ore that can be mined and shipped with minimal processing. This implies low project technical risk, quick development timelines, and low capex requirements. This is in contrast to lower-grade hematite and taconite/magnetite projects where the ore typically grades ~30% Fe and requires significant upgrading to be useable (~60% Fe), as well as pelletizing if it is too fine. Such upgrading typically involves large capex and greater technical complexity, requiring a larger scale and longer mine life to make a mine economically feasible. Taconite projects form part of Century's longer-term vision.
- **Strategic partnerships in place** – Century is teamed up with major steel company WISCO in advancing the Joyce Lake project (60/40 partners) as well as other projects. WISCO is a committed offtaker for the product (up to 60%), and holds a 25% equity stake in Century. Century's second strategic partner is Minmetals Resources, a 5% equity holder and also a potential offtaker.
- **Strong funding profile** – Century had $50mm of net working capital as of June 2013, and received a further $20mm project contribution from WISCO in September 2013. Century is in a position to achieve initial production without raising additional equity financing, even if we assume a more conservative capex profile than the company's own estimate.

Beyond its initial DSO endeavors, Century has accumulated a massive land package and defined ~20 billion tonnes of iron ore resources. The company has laid out a long-term development roadmap that that could ultimately link several DSO and taconite projects with common infrastructure to produce tens of millions of tonnes of iron ore per year. The vision is grand, and still a ways off, but does highlight the potential upside to the story over the long run.

Exhibit 1 – Project Development Roadmap




Source: Century Iron Mines

## Strategic Partnerships

Century has forged strategic partnerships with two major Chinese companies, WISCO and Minmetals. These partners are not only a source of funding, but are also committed offtakers for Century's future production. These pivotal relationships reduce Century's risk profile relative to other junior miners, in our view.

- **WISCO (Wuhan Iron and Steel Co. Ltd.)** is the third largest steel producer in China, producing close to 40 Mt annually, and is ranked 328 in the Forbes Global 500. The WISCO Group is one of the "big-three" Chinese state-owned integrated iron and steel groups, with a portfolio of business activities that includes mining, coking, sintering, iron making, steel making, rolling and associated utilities. WISCO is a partner in three joint ventures with Century: i) 40% interest in the Attikamagen Joint Venture, which includes the flagship Joyce Lake DSO project; ii) an option to earn a 40% interest in the Sunny Lake JV, which includes the Lac Le Fer DSO project; and, iii) an option to earn a 40% interest in the Duncan Lake magnetite project. In addition, WISCO is a committed offtaker for 60% of Century's iron ore production. WISCO also holds a 25% equity stake in Century.

- **Minmetals (Minmetals Resources Ltd.)** is one of the major subsidiaries of China Minmetals Corporation, a major state-owned diversified metals and mining company. The company is engaged in the production and trading of metals and minerals, as well as a range of diversified businesses. China Minmetals is ranked 192 among the Forbes Global 500. Minmetals Resources is a potential offtaker for 10% of Century's iron ore production and holds a 5% equity stake in Century.

## The DSO Projects

We profile three of Century's DSO (Direct Shipping Ore) projects which we expect to be the main sources of value creation over the near term. Compared to other iron ore products such as concentrate or pellets, DSO has the advantage of low processing requirements (primarily crush + screen), which reduces the technical complexity, capex outlay, and time to complete a project. We view DSO projects as the most feasible types of projects in the Labrador Trough.

## DSO Project #1 - Joyce Lake

Joyce Lake is the most advanced of Century's DSO projects, with both a resource and Preliminary Economic Assessment (PEA) completed. Joyce Lake is situated in the province of Newfoundland and Labrador, approximately 20 km northeast of Schefferville in the northern part of the Labrador Trough, and is accessible by air only. The surrounding area was formerly mined by the Iron Ore Company of Canada (IOC) and is presently home to DSO mining operations of Labrador Iron Mines (LIM) and New Millennium. Several taconite/magnetite exploration and development projects are also situated nearby.

### Iron Ore Resource

The Joyce Lake property contains 10 Mt of measured and indicated iron ore resource grading 59.45% Fe and 5.6 Mt of indicated resource grading 55.78% Fe, all assuming a 50% Fe cut-off (NI 43-101 compliant). Key impurities such as silica and alumina are within acceptable levels, whereas manganese is on the high end in certain areas and could require blending of product.

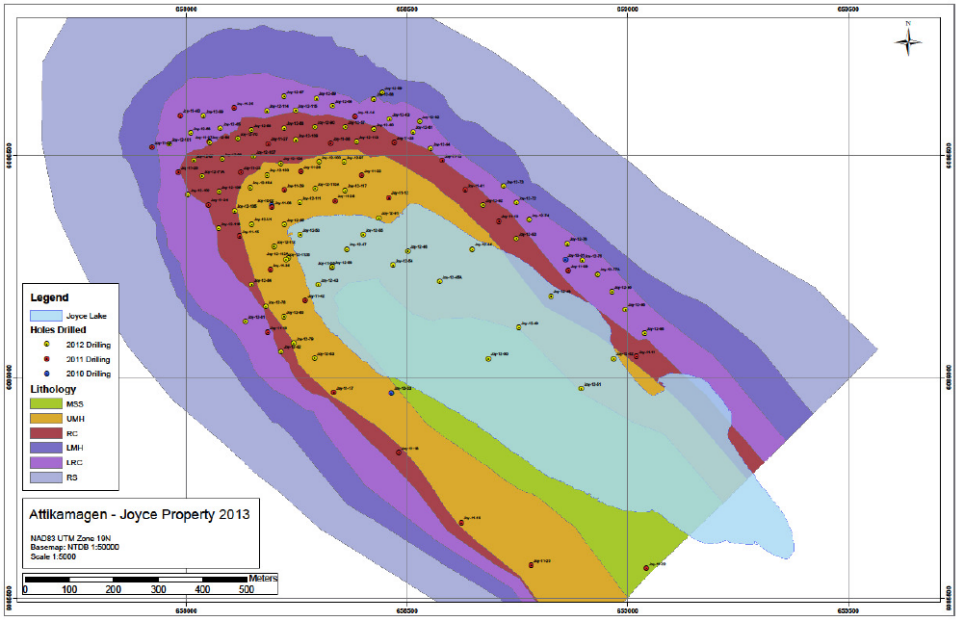
Exhibit 2 - NI 43-101 Mineral Resource for the Joyce Lake DSO Iron Deposit (50% Fe Cut-off)

| | Mt | % Fe | % SiO2 | % Al2O3 | % Mn |
|---|---|---|---|---|---|
| Measured | 5.05 | 60.44% | 10.21% | 0.58% | 0.88% |
| Indicated | 4.95 | 58.44% | 12.77% | 0.62% | 0.98% |
| M&I | 10.00 | 59.45% | 11.48% | 0.60% | 0.93% |
| Inferred | 5.60 | 55.78% | 17.50% | 0.47% | 0.46% |

Source: Joyce Lake DSO Project - Preliminary Economic Assessment, 2013

The mine plan applies a cut-off grade of 56% Fe and optimizes the pit shell to generate 7 Mt of resource grading 62% over a mine life of four years. The mineable resource is confined to the northwestern end of Joyce Lake. We believe there are opportunities to expand the resource particularly on the northeastern flank of the lake, where several drill holes have yielded good mineralization. Overall, drilling has taken place within an area that extends 1,100m along strike and has a width of 600m, while the Joyce Lake pit design covers just 650m x 400m.

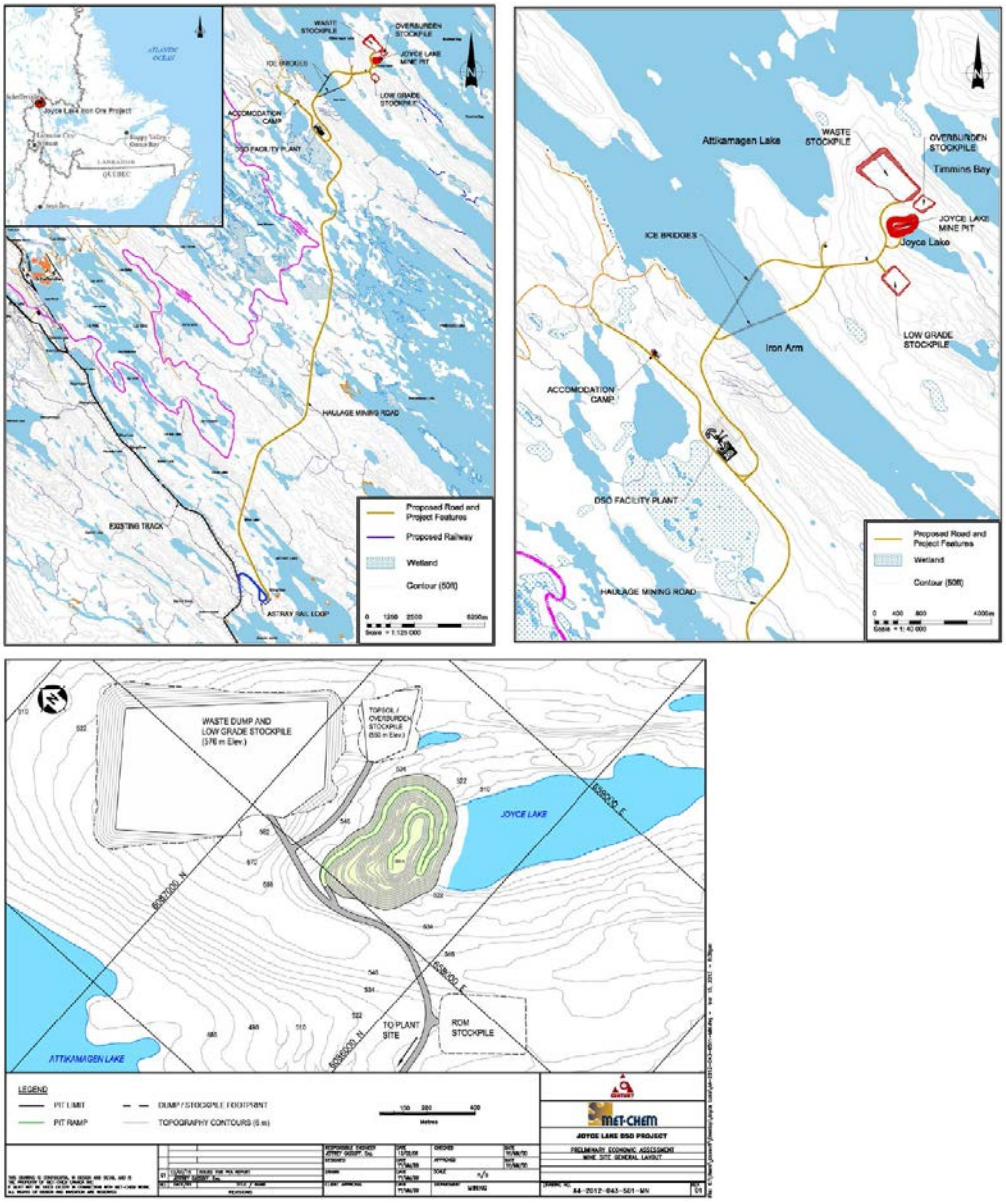
Exhibit 3 – Joyce Lake Historical Drilling




Source: Joyce Lake DSO Project - Preliminary Economic Assessment, 2013

## Project Overview

The project is envisioned as a conventional open pit mine producing up to 2 Mt of DSO per year and operating year-round. The product will be 35% lump ore and 65% sinter fines. High-grade ore (62% Fe) will be extracted using drilling and blasting as well as free-digging methods, and will undergo minimum processing in a crushing and screening operation near the mine site. A mine camp for 120 workers will be situated next to the processing plant. The simple operation will have no need for grid power access or for tailings management given that 100% of the plant feed will be recovered. The key technical risk, in our view, surrounds the formation of an ice bridge each year to transport ore between the mine and processing site during the winter months (there will be no such transport in the summer, only stockpiling of mined material). The processed material will then be hauled by truck along a 28km road to a rail loop that connects with the existing Tshiuetin Rail infrastructure about 20km south of Schefferville. Product will be railed along common carrier railways some 570km to the Port of Sept-Iles, where a multi-user port facility will be used to transfer the product onto ships for transport to end users.




Source: Joyce Lake DSO Project - Preliminary Economic Assessment, 2013

## Project Economics

The economics of the deposit were outlined in a PEA study dated May 8, 2013. As noted above, the project is scoped for a 2 Mt/yr operation over a four year mine life (1 Mt in year one, 2 Mt thereafter). The key parameters include upfront capex of $96.6mm, life of mine operating costs of $62.80/t, and realised product price of $108.43/t for lump and $92.79/t for sinter fines, FOB Sept-Iles. The study yields an after-tax IRR of 27.1% and project NPV of $51.8mm using a discount rate of 8%.

Exhibit 5 – Joyce Lake PEA Parameters

| Capex | | $mm |
|---|---|---|
| Mine | | 10.8 |
| Crushing & screening plant | | 10.5 |
| Haulage road and infrastructure | | 24.3 |
| Trucks | | 6.7 |
| Rail cars | | 20.4 |
| Railroad and yard | | 10.3 |
| Indirect costs | | 13.6 |
| Total capex | | 96.6 |
| | | |
| **Operating Metrics** | | |
| Waste mined | *Mt* | 33.7 |
| Ore mined | *Mt* | 7.0 |
| Strip ratio | | 4.8 x |
| Production capacity | *Mt per year* | 2.0 |
| Mine life | *Years* | 4 |

| Operating Costs | | $/t of Product |
|---|---|---|
| Mining cost | | 21.40 |
| *$ per tonne mined:* | *3.42* | |
| Processing cost | | 4.35 |
| Product hauling | | 2.82 |
| Rail yard operation | | 0.86 |
| Rail transportation | | 22.36 |
| Port handling | | 4.16 |
| General & administrative | | 6.85 |
| Total operating costs | | 62.80 |

Source: Joyce Lake DSO Project - Preliminary Economic Assessment, 2013; Maison Placements

## Valuation and Sensitivity

For our independent valuation of the project, we adjust several assumptions within the PEA:

**Capex of $120mm versus the PEA's $96.9mm** – We factor in several items that are excluded from the PEA such as permitting, environmental and other pre-production studies, feasibility study, additional drilling, and start-up and training costs. We also add $12mm for an additional set of 120 rail cars, as we believe the PEA's assumption of 240 rail cars does not leave much room for inefficiencies and weather disruptions. We note that the PEA assumes the use of port terminal, storage and ship loading facilities which are not yet arranged. It is possible that these items may require further capex outlays. Otherwise, the simple processing plant, basic haul road, and minimal rail infrastructure give us comfort around the major capex items.

**Working capital of $20mm** – We include an estimate of $20mm for working capital to accommodate timing differences between product shipments versus production outlays. We note that working capital needs could be higher if upfront payments are required for rail and port usage. For example, LIM has had to incur $50mm of upfront and rehab costs for rail, and $12.8mm of upfront costs for port, all recoverable over time.

**Cash costs of $70.00/t versus $62.80/t in the PEA** – We have increased the mining costs based on observed costs at LIM's operation and adjusted for different strip ratios. We have also increased the rail transport and yard costs from $23.22/t to $28.00/t, also based on LIM's experience with some allowance for a more complex operation at LIM. Lastly, we took a more conservative stance on the SG&A expense. Overall, the project benefits from a very simple and low-cost ore processing operation (crush + screen), offset by fairly high mining costs due to a high average strip ratio of 4.8x.

**Pricing of $104.50/t for lump and $95.00/t for fines (vs. $108.43/t and $92.79/t in the PEA, respectively)** – We use a long-term iron ore price deck of $115/t for 62% fines CFR China, less $20/t shipping, and we assume a 10% premium for lump product.

**Recovery value** – We highlight that several aspects of the project's infrastructure would remain available for future projects, including the haulage road, rail loop, haul trucks and ore rail cars. We therefore include in our model a recovery value of $26mm for the mobile equipment, equal to 50% of the cost of trucks and 75% of the cost of ore rail cars.

**Production in 2016 versus 2015 in the PEA** – We allow more time for permitting, engineering and other pre-production activities. Our start date should also coincide well with the completion of a multi-user storage and terminal solution to complement the multi-user port, both of which are assumed to be accessible in the PEA.

**Our assumptions lead to a more conservative IRR of 14.4% and a project NAV of $27.3mm using an 8% discount rate. After considering 70% debt leverage and the impact of taxes, we calculate Century's stake in the project to be worth $16.5mm, or $0.17 per share, using a 12% equity discount rate.**

On the following pages we present our valuation model for Joyce Lake as well as a sensitivity analysis around key parameters including mine life, capex, operating expenses, and iron ore price. Of note:

- A $5/t increase in the iron ore price (or a $5/t decrease in operating costs) increases the value of Century's stake by about $0.09/share from our base value of $0.17/share.
- A reduction of capex to $100mm (similar to the PEA assumption) results in a value of $0.23/share.
- **An increase in the mine life by two years results in a value of $0.38/share. This reflects the benefits of leveraging fixed overheads, and is a very plausible scenario in our view, given that the Joyce Lake resource has room for expansion.**

**Importantly, Century has the means to advance the Joyce Lake project without raising additional equity financing, even with a higher capex number than the PEA.** Our financial model for the project shows a maximum cash deficit of $58mm in the second year of operations (2017), as capex is spent and production ramps. As a 60% JV stakeholder, Century would be responsible for contributing $35mm of this figure, which is feasible under its current working capital balance of $50mm.

*A note about the project ownership structure: The Joyce Lake property is part of the Attikamagen Iron Project, which is owned 100% by Labec Century. Labec Century itself is a 60/40 partnership between Century and WISCO, whereby WISCO has contributed $40mm for its 40% share. Champion Iron Mines retains a 2% royalty on revenues after divesting its stake in the project to Labec (announced Oct. 2, 2013).*

## Joyce Lake – 4 Year Mine Life (Base Case)

| *C$mm, unless othewise noted* | **Avg/Total** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|---|---|---|---|
| CAD/USD | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| | | | | | | | | | |
| Starting in-pit ore resource (Mt) | | | | | 7.0 | 6.9 | 5.1 | 3.6 | 0.6 |
| Ore mined (Mt) | | | | | 0.1 | 1.8 | 1.5 | 3.0 | 0.6 |
| Waste mined (Mt) | | | | | 0.9 | 11.6 | 15.7 | 5.4 | 0.1 |
| Strip Ratio | 4.8 x | | | | 10.1 x | 6.4 x | 10.4 x | 1.8 x | 0.2 x |
| Concentrate production (Mt) | 7.0 | | | | 0.0 | 1.0 | 2.0 | 2.0 | 2.0 |
| | | | | | | | | | |
| Product price (US$/t CFR China) - Fines | 115.00 | | | | 115.00 | 115.00 | 115.00 | 115.00 | 115.00 |
| Product price (US$/t FOB) - Fines | 95.00 | | | | 95.00 | 95.00 | 95.00 | 95.00 | 95.00 |
| Product price (US$/t FOB) - Lump | 104.50 | | | | 104.50 | 104.50 | 104.50 | 104.50 | 104.50 |
| Lump % of Total | 35% | | | | 35% | 35% | 35% | 35% | 35% |
| Product price (US$/t FOB) - Blended | 98.33 | | | | 98.33 | 98.33 | 98.33 | 98.33 | 98.33 |
| Product price (C$/t FOB) | 98.33 | | | | 98.33 | 98.33 | 98.33 | 98.33 | 98.33 |
| | | | | | | | | | |
| **Revenue** | 684.4 | | | | **0.0** | **98.3** | **195.4** | **195.4** | **195.4** |
| Royalty | 2.0% | | | | 0.0 | -2.0 | -3.9 | -3.9 | -3.9 |
| | | | | | | | | | |
| | $/t LOM | | | | *($mm)* | | | | |
| Mining cost (per tonne mined) | -4.00 | | | | -4.2 | -53.6 | -68.7 | -33.4 | -2.8 |
| Processing cost (per tonne of product) | -4.35 | | | | 0.0 | -4.4 | -8.6 | -8.6 | -8.6 |
| Haulage cost | -2.82 | | | | 0.0 | -2.8 | -5.6 | -5.6 | -5.6 |
| Rail cost | -28.00 | | | | 0.0 | -28.0 | -55.6 | -55.6 | -55.6 |
| Port cost | -4.16 | | | | 0.0 | -4.2 | -8.3 | -8.3 | -8.3 |
| G&A cost | -7.30 | | | | -10.2 | -10.2 | -10.2 | -10.2 | -10.2 |
| | | | | | | | | | |
| **Total cash costs** | -70.00 | | | | **-14.3** | **-103.1** | **-157.0** | **-121.7** | **-91.2** |
| | | | | | | | | | |
| EBITDA | | | | | -14.3 | -6.7 | 34.5 | 69.8 | 100.3 |
| Interest expense | 7.0% | | | | 0.0 | -4.4 | -5.9 | -5.9 | -5.9 |
| Taxes | 44.0% | | | | 0.0 | 0.0 | 0.0 | 0.0 | -28.4 |
| Change in working cap | | | | | -20.0 | 0.0 | 0.0 | 0.0 | 20.0 |
| Other | | | | | | | | | |
| Operating cash flow | | 0.0 | 0.0 | 0.0 | -34.3 | -11.1 | 28.6 | 63.9 | 86.0 |
| | | | | | | | | | |
| Capex - initial | -120.0 | | | | -90.0 | -30.0 | 0.0 | 0.0 | 25.9 |
| Capex - sustaining/closure | | | | | 0.0 | 0.0 | 0.0 | 0.0 | -3.0 |
| Project free cash flow | 35.9 | 0.0 | 0.0 | 0.0 | -124.3 | -41.1 | 28.6 | 63.9 | 108.9 |
| | | | | | | | | | |
| Less Champion cash flow | 0.0% | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Labec Century cash flow | | 0.0 | 0.0 | 0.0 | -124.3 | -41.1 | 28.6 | 63.9 | 108.9 |
| | | | | | | | | | |
| Debt issuance (% of Labec capex) | 70.0% | | | | 63.0 | 21.0 | 0.0 | 0.0 | -84.0 |
| Labec Century equity cash flow | | 0.0 | 0.0 | 0.0 | -61.3 | -20.1 | 28.6 | 63.9 | 24.9 |
| | | | | | | | | | |
| Equity issuance | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in cash | | 0.0 | 0.0 | 0.0 | -61.3 | -20.1 | 28.6 | 63.9 | 24.9 |
| | | | | | | | | | |
| Labec Working Capital | | 23.8 | 23.8 | 23.8 | -37.6 | -57.7 | -29.1 | 34.8 | 59.7 |
| | | | | | | | | | |
| Project IRR (unlevered, untaxed) | 14.4% | 0.0 | 0.0 | 0.0 | -124.3 | -36.7 | 34.5 | 69.8 | 143.2 |
| Project discounted cash flows | 8% | 0.0 | 0.0 | 0.0 | -106.6 | -29.2 | 25.3 | 47.5 | 90.2 |
| Project NAV | 27.3 | | | | | | | | |
| | | | | | | | | | |
| Labec IRR (levered, taxed) | 14.5% | 0.0 | 0.0 | 0.0 | -61.3 | -20.1 | 28.6 | 63.9 | 24.9 |
| Labec discounted cash flows | 12% | 0.0 | 0.0 | 0.0 | -48.9 | -14.3 | 18.2 | 36.2 | 12.6 |
| Labec NAV | 3.8 | | | | | | | | |
| Labec working capital (post contribution) | 23.8 | | | | | | | | |
| | | | | | | | | | |
| FER ownership | 60% | | | | | | | | |
| FER share of NAV + working capital | 16.5 | | | | | | | | |
| | | | | | | | | | |
| Diluted shares (est.) | 96.5 | | | | | | | | |
| Fully funded NAV/share | 0.17 | | | | | | | | |

Source: Maison Placements

## Joyce Lake – 4 Year Mine Life (Base Case) Sensitivity of NAV per Share

| FCF to Equity Discount Rate | Iron Ore Price (US$/t, 62% Fines CFR China) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $100 | $105 | $110 | $115 | $120 | $125 | $130 |
| 8% | -0.13 | 0.02 | 0.12 | 0.22 | 0.32 | 0.44 | 0.56 |
| 10% | -0.13 | 0.01 | 0.10 | 0.19 | 0.29 | 0.40 | 0.51 |
| 12% | -0.13 | 0.00 | 0.08 | 0.17 | 0.26 | 0.36 | 0.46 |
| 14% | -0.13 | -0.01 | 0.07 | 0.15 | 0.23 | 0.33 | 0.42 |
| 16% | -0.12 | -0.02 | 0.06 | 0.13 | 0.21 | 0.30 | 0.39 |
| 18% | -0.12 | -0.02 | 0.05 | 0.12 | 0.19 | 0.27 | 0.36 |

| FCF to Equity Discount Rate | Upfront Capex ($mm) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $180 | $160 | $140 | $120 | $100 | $90 | $80 |
| 8% | 0.02 | 0.09 | 0.16 | 0.22 | 0.28 | 0.32 | 0.37 |
| 10% | 0.01 | 0.08 | 0.14 | 0.19 | 0.25 | 0.29 | 0.33 |
| 12% | 0.00 | 0.06 | 0.12 | 0.17 | 0.23 | 0.26 | 0.30 |
| 14% | -0.01 | 0.05 | 0.10 | 0.15 | 0.20 | 0.23 | 0.27 |
| 16% | -0.02 | 0.04 | 0.09 | 0.13 | 0.18 | 0.21 | 0.25 |
| 18% | -0.02 | 0.03 | 0.07 | 0.12 | 0.17 | 0.19 | 0.23 |

| FCF to Equity Discount Rate | Opex (C$/t, FOB Pointe Noire) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $85 | $80 | $75 | $70 | $65 | $60 | $55 |
| 8% | -0.12 | 0.02 | 0.12 | 0.22 | 0.32 | 0.44 | 0.56 |
| 10% | -0.12 | 0.01 | 0.10 | 0.19 | 0.29 | 0.39 | 0.51 |
| 12% | -0.12 | 0.00 | 0.08 | 0.17 | 0.26 | 0.36 | 0.46 |
| 14% | -0.12 | -0.01 | 0.07 | 0.15 | 0.23 | 0.33 | 0.42 |
| 16% | -0.12 | -0.02 | 0.06 | 0.13 | 0.21 | 0.30 | 0.38 |
| 18% | -0.12 | -0.02 | 0.05 | 0.12 | 0.19 | 0.27 | 0.35 |

Source: Maison Placements

## Joyce Lake – 6 Year Mine Life

| *C$mm, unless othewise noted* | **Avg/Total** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CAD/USD | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| | | | | | | | | | | | |
| Starting in-pit ore resource (Mt) | | | | | 11.0 | 10.9 | 9.1 | 7.6 | 4.6 | 4.0 | 2.0 |
| Ore mined (Mt) | | | | | 0.1 | 1.8 | 1.5 | 3.0 | 0.6 | 2.0 | 2.0 |
| Waste mined (Mt) | | | | | 0.9 | 11.6 | 15.7 | 5.4 | 0.1 | 5.7 | 5.7 |
| Strip Ratio | 4.1 x | | | | 10.1 x | 6.4 x | 10.4 x | 1.8 x | 0.2 x | 2.9 x | 2.9 x |
| Concentrate production (Mt) | 11.0 | | | | 0.0 | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| | | | | | | | | | | | |
| Product price (US$/t CFR China) - Fines | 115.00 | | | | 115.00 | 115.00 | 115.00 | 115.00 | 115.00 | 115.00 | 115.00 |
| Product price (US$/t FOB) - Fines | 95.00 | | | | 95.00 | 95.00 | 95.00 | 95.00 | 95.00 | 95.00 | 95.00 |
| Product price (US$/t FOB) - Lump | 104.50 | | | | 104.50 | 104.50 | 104.50 | 104.50 | 104.50 | 104.50 | 104.50 |
| Lump % of Total | 35% | | | | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| Product price (US$/t FOB) - Blended | 98.33 | | | | 98.33 | 98.33 | 98.33 | 98.33 | 98.33 | 98.33 | 98.33 |
| Product price (C$/t FOB) | 98.33 | | | | 98.33 | 98.33 | 98.33 | 98.33 | 98.33 | 98.33 | 98.33 |
| | | | | | | | | | | | |
| **Revenue** | 1,077.7 | | | | **0.0** | **98.3** | **195.4** | **195.4** | **195.4** | **196.7** | **196.7** |
| Royalty | 2.0% | | | | 0.0 | -2.0 | -3.9 | -3.9 | -3.9 | -3.9 | -3.9 |
| | | | | | | | | | | | |
| | $/t LOM | | | | *($mm)* | | | | | | |
| Mining cost (per tonne mined) | -4.00 | | | | -4.2 | -53.6 | -68.7 | -33.4 | -2.8 | -30.8 | -30.8 |
| Processing cost (per tonne of product) | -4.35 | | | | 0.0 | -4.4 | -8.6 | -8.6 | -8.6 | -8.7 | -8.7 |
| Haulage cost | -2.82 | | | | 0.0 | -2.8 | -5.6 | -5.6 | -5.6 | -5.6 | -5.6 |
| Rail cost | -28.00 | | | | 0.0 | -28.0 | -55.6 | -55.6 | -55.6 | -56.0 | -56.0 |
| Port cost | -4.16 | | | | 0.0 | -4.2 | -8.3 | -8.3 | -8.3 | -8.3 | -8.3 |
| G&A cost | -7.30 | | | | -11.4 | -11.4 | -11.4 | -11.4 | -11.4 | -11.4 | -11.4 |
| | | | | | | | | | | | |
| **Total cash costs** | -67.09 | | | | **-15.6** | **-104.4** | **-158.2** | **-123.0** | **-92.4** | **-120.9** | **-120.9** |
| | | | | | | | | | | | |
| EBITDA | | | | | -15.6 | -8.0 | 33.2 | 68.5 | 99.0 | 71.8 | 71.8 |
| Interest expense | 7.0% | | | | 0.0 | -4.4 | -5.9 | -5.9 | -5.9 | -5.9 | -5.9 |
| Taxes | 44.0% | | | | 0.0 | 0.0 | 0.0 | 0.0 | -15.3 | -29.0 | -29.0 |
| Change in working cap | | | | | -20.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 20.0 |
| Other | | | | | | | | | | | |
| Operating cash flow | | 0.0 | 0.0 | 0.0 | -35.6 | -12.4 | 27.3 | 62.6 | 77.8 | 36.9 | 56.9 |
| | | | | | | | | | | | |
| Capex - initial | -120.0 | | | | -90.0 | -30.0 | 0.0 | 0.0 | 0.0 | 0.0 | 16.7 |
| Capex - sustaining/closure | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -4.5 |
| Project free cash flow | -0.3 | 0.0 | 0.0 | 0.0 | -125.6 | -42.4 | 27.3 | 62.6 | 77.8 | 36.9 | 69.1 |
| | | | | | | | | | | | |
| Less Champion cash flow | 0.0% | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Labec Century cash flow | | 0.0 | 0.0 | 0.0 | -125.6 | -42.4 | 27.3 | 62.6 | 77.8 | 36.9 | 69.1 |
| | | | | | | | | | | | |
| Debt issuance (% of Labec capex) | 70.0% | | | | 63.0 | 21.0 | 0.0 | 0.0 | 0.0 | 0.0 | -84.0 |
| Labec Century equity cash flow | | 0.0 | 0.0 | 0.0 | -62.6 | -21.4 | 27.3 | 62.6 | 77.8 | 36.9 | -14.9 |
| | | | | | | | | | | | |
| Equity issuance | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in cash | | 0.0 | 0.0 | 0.0 | -62.6 | -21.4 | 27.3 | 62.6 | 77.8 | 36.9 | -14.9 |
| | | | | | | | | | | | |
| Labec Working Capital | | 23.8 | 23.8 | 23.8 | -38.8 | -60.3 | -32.9 | 29.7 | 107.5 | 144.4 | 129.5 |
| | | | | | | | | | | | |
| Project IRR (unlevered, untaxed) | 23.2% | 0.0 | 0.0 | 0.0 | -125.6 | -38.0 | 33.2 | 68.5 | 99.0 | 71.8 | 104.0 |
| Project discounted cash flows | 8% | 0.0 | 0.0 | 0.0 | -107.7 | -30.2 | 24.4 | 46.6 | 62.4 | 41.9 | 56.2 |
| Project NAV | 93.7 | | | | | | | | | | |
| | | | | | | | | | | | |
| Labec IRR (levered, taxed) | 29.8% | 0.0 | 0.0 | 0.0 | -62.6 | -21.4 | 27.3 | 62.6 | 77.8 | 36.9 | -14.9 |
| Labec discounted cash flows | 12% | 0.0 | 0.0 | 0.0 | -49.9 | -15.2 | 17.4 | 35.5 | 39.4 | 16.7 | -6.0 |
| Labec NAV | 37.9 | | | | | | | | | | |
| Labec working capital (post contribution) | 23.8 | | | | | | | | | | |
| | | | | | | | | | | | |
| FER ownership | 60% | | | | | | | | | | |
| FER share of NAV + working capital | 37.0 | | | | | | | | | | |
| | | | | | | | | | | | |
| Diluted shares (est.) | 96.5 | | | | | | | | | | |
| Fully funded NAV/share | 0.38 | | | | | | | | | | |

Source: Maison Placements

## Joyce Lake – 6 Year Mine Life Sensitivity of NAV per Share

| FCF to Equity Discount Rate | Iron Ore Price (US$/t, 62% Fines CFR China) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $100 | $105 | $110 | $115 | $120 | $125 | $130 |
| 8% | 0.03 | 0.20 | 0.35 | 0.49 | 0.63 | 0.77 | 0.90 |
| 10% | 0.01 | 0.17 | 0.30 | 0.43 | 0.56 | 0.69 | 0.81 |
| 12% | 0.00 | 0.14 | 0.27 | 0.38 | 0.50 | 0.62 | 0.73 |
| 14% | -0.01 | 0.12 | 0.23 | 0.34 | 0.45 | 0.56 | 0.66 |
| 16% | -0.02 | 0.10 | 0.20 | 0.30 | 0.40 | 0.50 | 0.60 |
| 18% | -0.03 | 0.08 | 0.18 | 0.27 | 0.36 | 0.46 | 0.54 |

| FCF to Equity Discount Rate | Upfront Capex ($mm) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $180 | $160 | $140 | $120 | $100 | $90 | $80 |
| 8% | 0.31 | 0.37 | 0.43 | 0.49 | 0.55 | 0.58 | 0.60 |
| 10% | 0.27 | 0.32 | 0.38 | 0.43 | 0.49 | 0.51 | 0.54 |
| 12% | 0.23 | 0.28 | 0.33 | 0.38 | 0.43 | 0.46 | 0.48 |
| 14% | 0.20 | 0.25 | 0.30 | 0.34 | 0.39 | 0.41 | 0.43 |
| 16% | 0.17 | 0.22 | 0.26 | 0.30 | 0.35 | 0.37 | 0.39 |
| 18% | 0.15 | 0.19 | 0.23 | 0.27 | 0.31 | 0.33 | 0.35 |

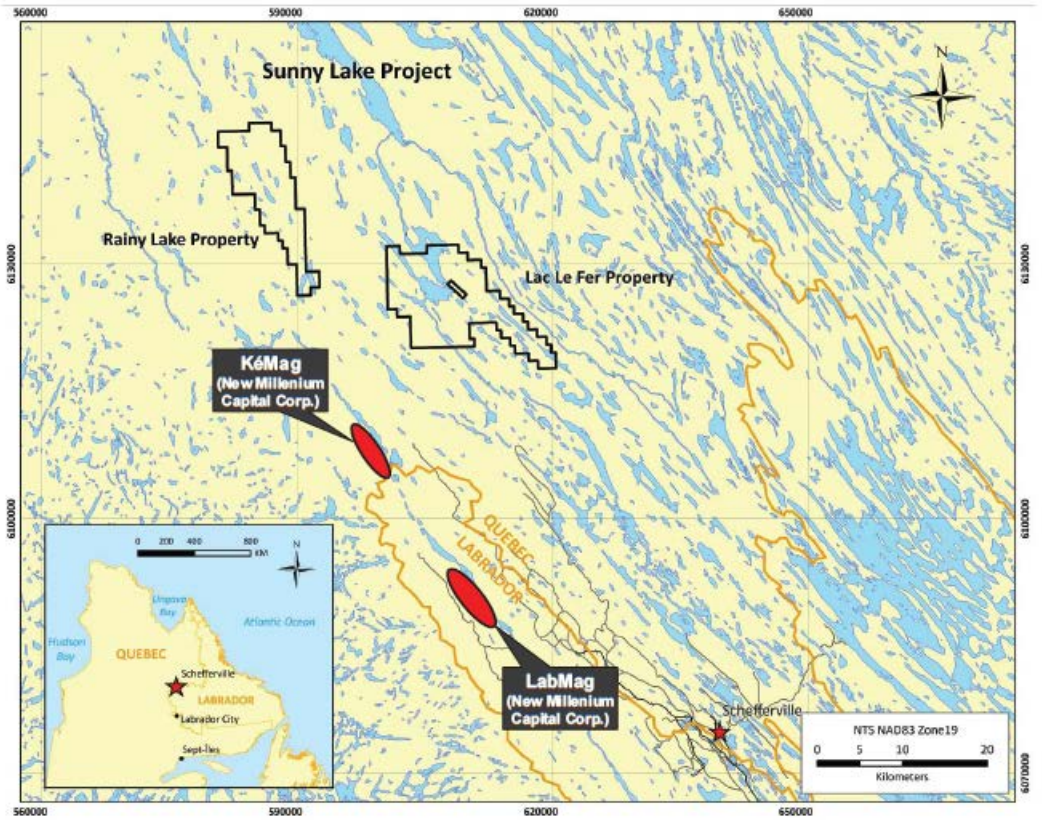
| FCF to Equity Discount Rate | Opex (C$/t, FOB Pointe Noire) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $80 | $75 | $70 | $67 | $65 | $60 | $55 |
| 8% | 0.12 | 0.27 | 0.41 | 0.49 | 0.55 | 0.68 | 0.82 |
| 10% | 0.10 | 0.23 | 0.36 | 0.43 | 0.48 | 0.61 | 0.74 |
| 12% | 0.07 | 0.20 | 0.32 | 0.38 | 0.43 | 0.55 | 0.66 |
| 14% | 0.06 | 0.17 | 0.28 | 0.34 | 0.39 | 0.49 | 0.60 |
| 16% | 0.04 | 0.15 | 0.25 | 0.30 | 0.35 | 0.44 | 0.54 |
| 18% | 0.03 | 0.13 | 0.22 | 0.27 | 0.31 | 0.40 | 0.49 |

Source: Maison Placements

## DSO Project #2 - Lac Le Fer

The Lac Le Fer deposit is located 65km northwest of Schefferville in the province of Quebec, in the northern part of the Labrador Trough. The property is accessible by air, with a seasonally maintained gravel road ending 20km to the south.

Exhibit 6 – Lac Le Fer DSO Property

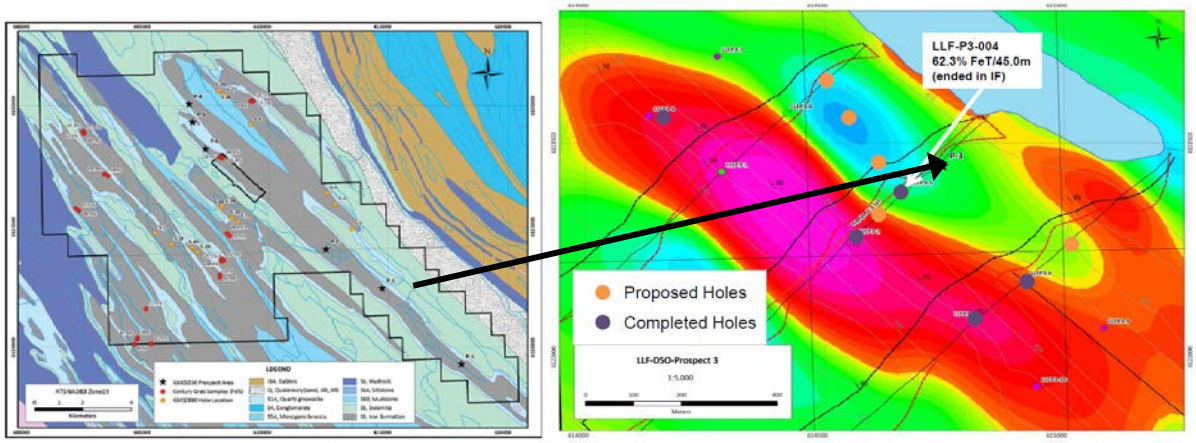



Source: Sunny Lake Technical Report, 2010

The area was previously explored by Hollinger North Shore Exploration Co. and IOC from the 1940s through the 1970s. Historical assay results show the area to be a potential candidate for a DSO resource, with good mineralization in an area called Prospect 3 where numerous samples returned Fe values greater than 55%.

Century followed up on these historical results with reconnaissance mapping, magnetic and gravity surveys starting in 2009. The work indicated that the property is underlain by the Sokoman Formation, the main iron-bearing formation in the Labrador Trough. In 2011, Century identified an anomaly measuring 1200 m long and 400 m wide in the vicinity of Prospect 3, and conducted an 826 m drill program spanning 7 holes. One hole (LLFP3-11-004) returned assays showing 45m of mineralisation grading 62.7% out of a total hole depth of only 54 m. The hole ended in mineralisation. The assay results suggest the potential for a DSO resource with high grade material much closer to surface than at the Joyce Lake deposit.

Exhibit 7 – Geological Map of Lac Le Fer Property and Drill Plan




Source: Sunny Lake Technical Report, 2010, and Century Iron Mines Presentation (2013)

## Let's Imagine for a Minute….

While it is somewhat premature to define a value for the Lac Le Fer project in the absence of a resource or a PEA, we attempt to assess its "blue sky" potential based on some known parameters and various assumptions:

**Resource size** – As shown above, the iron formation stretches approximately 6km along strike connecting Prospect 2, 3 and 4, and is about 0.5-1km in width. Historical assays reflect poor mineralisation in Prospect 2, but strong results in prospect 3 and 4. We therefore view the most promising area to be the ~4km stretch between P3 and P4, with a width of 0.5km conservatively. This compares to the Joyce Lake resource parameters of 1,100 x 600m, roughly a quarter of the size, with a large part of the area consumed by the lake. We therefore speculate that Lac Le Fer has the potential to be 4x the size of Joyce Lake in a "blue sky" scenario.

**Production potential** – Assuming a resource of 4x the size of Joyce Lake, we envision an operation with capacity of up to 4Mt/yr and a mine life of 8 years.

**Capex** – We estimate a capex figure of $280mm, double our estimate for Joyce Lake. We assume the mining, processing, and transport plan is similar – i.e. drill and blast open pit mining, with a simple crush and screen process only treating high-grade ore, followed by truck haulage to a rail loop near Schefferville. The operation would be double the scale of Joyce Lake, requiring double the mine development, processing machinery, accommodations, rail cars and trucks. The road to Schefferville, being twice as long, would also be double the cost, and the rail spur and loadout would need greater capacity. It may be more cost-effective to build a rail spur in place of a haulage road for such an operation, which would result in higher capex but lower opex relative to our assumptions. A key consideration would be whether the rail could be used for future projects in the area.

**Operating expenses** – We estimate operating expenses of $63-65/t, which is lower than Joyce Lake. Based on the initial drill hole results for Prospect 3, we see the potential for a deposit that is closer to

surface, and therefore assume a more attractive strip ratio of 3x in our model (vs. 4.8x for Joyce Lake) which lowers the mining cost. This is offset by higher haulage costs as the distance to the rail loop would be doubled.

**Other items** – The project value benefits from a more attractive provincial and mining tax regime in Quebec versus Newfoundland and Labrador, where Joyce Lake is located.

The result of our hypothetical "blue sky" model is a project IRR of 34% and NAV of $305mm using a discount rate of 8% (unlevered, untaxed). The value to Century (60% owner) works out to $109mm, or $1.13 per share (70% levered, fully taxed, 12% discount rate). Below, we present the valuation for several production/mine life scenarios, with full sensitivities on the following pages.

Exhibit 8 – Lac Le Fer Production and Mine Life Scenarios

| Production (Mt/yr) | Mine Life (Yrs) | Capex ($mm) | Opex ($/t) | Project IRR ($mm) | Project NAV (8%) | Century's Equity NAV per Share (12%) |
|---|---|---|---|---|---|---|
| 2 | 4 | 140 | 65 | 24% | 53 | **0.35** |
| 2 | 6 | 140 | 65 | 32% | 117 | **0.56** |
| 2 | 8 | 140 | 65 | 35% | 176 | **0.74** |
| 4 | 8 | 280 | 63 | 34% | 305 | **1.13** |

Source: Maison Placements

*A note about the project ownership structure: Lac Le Fer is owned by the Sunny Lake JV, which in turn is owned 60% by Century and 40% by WISCO. Century contributed the Sunny Lake properties into the JV, while WISCO must invest $40mm for its stake. So far, WISCO has earned a 17.1% share in the JV via its contribution of $17.1mm to initial exploration expenditures. Project expenditures beyond the initial $40mm will be funded by the two JV parties in accordance with their respective interest in the JV.*

# Lac Le Fer –Sensitivity of NAV per Share

**2 Mt/yr x 4 yr Mine Life**

| FCF to Equity Discount Rate | Iron Ore Price (US$/t, 62% Fines CFR China) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $100 | $105 | $110 | $115 | $120 | $125 | $130 |
| 8% | 0.02 | 0.17 | 0.28 | 0.40 | 0.52 | 0.62 | 0.72 |
| 10% | 0.02 | 0.16 | 0.26 | 0.37 | 0.48 | 0.57 | 0.67 |
| 12% | 0.02 | 0.15 | 0.24 | 0.35 | 0.45 | 0.54 | 0.62 |
| 14% | 0.02 | 0.15 | 0.23 | 0.33 | 0.42 | 0.50 | 0.58 |
| 16% | 0.03 | 0.14 | 0.22 | 0.31 | 0.39 | 0.47 | 0.54 |
| 18% | 0.03 | 0.13 | 0.21 | 0.29 | 0.37 | 0.44 | 0.51 |

| FCF to Equity Discount Rate | Upfront Capex ($mm) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $200 | $180 | $160 | $140 | $130 | $120 | $110 |
| 8% | 0.18 | 0.25 | 0.31 | 0.40 | 0.45 | 0.48 | 0.51 |
| 10% | 0.17 | 0.23 | 0.29 | 0.37 | 0.42 | 0.45 | 0.48 |
| 12% | 0.16 | 0.22 | 0.27 | 0.35 | 0.39 | 0.42 | 0.45 |
| 14% | 0.15 | 0.20 | 0.26 | 0.33 | 0.37 | 0.39 | 0.42 |
| 16% | 0.14 | 0.19 | 0.24 | 0.31 | 0.34 | 0.37 | 0.39 |
| 18% | 0.13 | 0.18 | 0.23 | 0.29 | 0.32 | 0.35 | 0.37 |

| FCF to Equity Discount Rate | Opex (C$/t, FOB Pointe Noire) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $80 | $75 | $70 | $65 | $60 | $55 | $50 |
| 8% | 0.05 | 0.19 | 0.29 | 0.41 | 0.52 | 0.62 | 0.71 |
| 10% | 0.05 | 0.18 | 0.27 | 0.38 | 0.49 | 0.58 | 0.66 |
| 12% | 0.05 | 0.17 | 0.25 | 0.36 | 0.45 | 0.54 | 0.62 |
| 14% | 0.05 | 0.16 | 0.24 | 0.34 | 0.43 | 0.50 | 0.58 |
| 16% | 0.05 | 0.15 | 0.23 | 0.32 | 0.40 | 0.47 | 0.54 |
| 18% | 0.05 | 0.14 | 0.21 | 0.30 | 0.37 | 0.44 | 0.51 |

| FCF to Equity Discount Rate | Mining Strip Ratio | | | | | | |
|---|---|---|---|---|---|---|---|
| | 0.5 x | 1.0 x | 2.0 x | 3.0 x | 4.0 x | 5.0 x | 6.0 x |
| 8% | 0.61 | 0.57 | 0.50 | 0.40 | 0.30 | 0.22 | 0.13 |
| 10% | 0.57 | 0.53 | 0.46 | 0.37 | 0.28 | 0.21 | 0.12 |
| 12% | 0.53 | 0.50 | 0.43 | 0.35 | 0.26 | 0.19 | 0.11 |
| 14% | 0.49 | 0.46 | 0.40 | 0.33 | 0.25 | 0.18 | 0.11 |
| 16% | 0.46 | 0.43 | 0.38 | 0.31 | 0.23 | 0.17 | 0.10 |
| 18% | 0.43 | 0.41 | 0.36 | 0.29 | 0.22 | 0.17 | 0.10 |

**2 Mt/yr x 6 yr Mine Life**

| FCF to Equity Discount Rate | Iron Ore Price (US$/t, 62% Fines CFR China) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $100 | $105 | $110 | $115 | $120 | $125 | $130 |
| 8% | 0.19 | 0.37 | 0.52 | 0.66 | 0.81 | 0.95 | 1.09 |
| 10% | 0.18 | 0.34 | 0.48 | 0.61 | 0.74 | 0.87 | 1.00 |
| 12% | 0.17 | 0.31 | 0.44 | 0.56 | 0.68 | 0.80 | 0.92 |
| 14% | 0.16 | 0.29 | 0.41 | 0.52 | 0.63 | 0.74 | 0.85 |
| 16% | 0.15 | 0.27 | 0.38 | 0.48 | 0.58 | 0.68 | 0.78 |
| 18% | 0.14 | 0.25 | 0.35 | 0.45 | 0.54 | 0.63 | 0.72 |

| FCF to Equity Discount Rate | Upfront Capex ($mm) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $200 | $180 | $160 | $140 | $130 | $120 | $110 |
| 8% | 0.47 | 0.54 | 0.60 | 0.66 | 0.69 | 0.72 | 0.75 |
| 10% | 0.44 | 0.50 | 0.55 | 0.61 | 0.64 | 0.66 | 0.69 |
| 12% | 0.40 | 0.46 | 0.51 | 0.56 | 0.59 | 0.61 | 0.64 |
| 14% | 0.37 | 0.42 | 0.47 | 0.52 | 0.54 | 0.57 | 0.59 |
| 16% | 0.34 | 0.39 | 0.44 | 0.48 | 0.50 | 0.52 | 0.54 |
| 18% | 0.32 | 0.36 | 0.41 | 0.45 | 0.47 | 0.49 | 0.50 |

| FCF to Equity Discount Rate | Opex (C$/t, FOB Pointe Noire) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $80 | $75 | $70 | $65 | $60 | $55 | $50 |
| 8% | 0.22 | 0.39 | 0.53 | 0.68 | 0.82 | 0.95 | 1.09 |
| 10% | 0.20 | 0.36 | 0.49 | 0.62 | 0.75 | 0.87 | 1.00 |
| 12% | 0.19 | 0.33 | 0.45 | 0.57 | 0.69 | 0.80 | 0.92 |
| 14% | 0.18 | 0.31 | 0.42 | 0.53 | 0.63 | 0.74 | 0.84 |
| 16% | 0.17 | 0.29 | 0.39 | 0.49 | 0.59 | 0.68 | 0.78 |
| 18% | 0.16 | 0.27 | 0.36 | 0.45 | 0.54 | 0.63 | 0.72 |

| FCF to Equity Discount Rate | Mining Strip Ratio | | | | | | |
|---|---|---|---|---|---|---|---|
| | 0.5 x | 1.0 x | 2.0 x | 3.0 x | 4.0 x | 5.0 x | 6.0 x |
| 8% | 0.94 | 0.89 | 0.78 | 0.66 | 0.55 | 0.44 | 0.31 |
| 10% | 0.86 | 0.81 | 0.71 | 0.61 | 0.51 | 0.40 | 0.29 |
| 12% | 0.79 | 0.75 | 0.66 | 0.56 | 0.47 | 0.37 | 0.27 |
| 14% | 0.73 | 0.69 | 0.60 | 0.52 | 0.43 | 0.34 | 0.25 |
| 16% | 0.67 | 0.64 | 0.56 | 0.48 | 0.40 | 0.32 | 0.23 |
| 18% | 0.62 | 0.59 | 0.52 | 0.45 | 0.37 | 0.30 | 0.22 |

**2 Mt/yr x 8 yr Mine Life**

| FCF to Equity Discount Rate | Iron Ore Price (US$/t, 62% Fines CFR China) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $100 | $105 | $110 | $115 | $120 | $125 | $130 |
| 8% | 0.33 | 0.53 | 0.72 | 0.90 | 1.08 | 1.26 | 1.44 |
| 10% | 0.31 | 0.48 | 0.65 | 0.81 | 0.98 | 1.14 | 1.30 |
| 12% | 0.28 | 0.44 | 0.59 | 0.74 | 0.89 | 1.03 | 1.18 |
| 14% | 0.26 | 0.40 | 0.54 | 0.67 | 0.81 | 0.94 | 1.07 |
| 16% | 0.23 | 0.37 | 0.49 | 0.62 | 0.74 | 0.86 | 0.97 |
| 18% | 0.22 | 0.34 | 0.45 | 0.56 | 0.67 | 0.78 | 0.89 |

| FCF to Equity Discount Rate | Upfront Capex ($mm) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $200 | $180 | $160 | $140 | $130 | $120 | $110 |
| 8% | 0.72 | 0.78 | 0.84 | 0.90 | 0.93 | 0.96 | 0.99 |
| 10% | 0.65 | 0.71 | 0.76 | 0.81 | 0.84 | 0.87 | 0.89 |
| 12% | 0.59 | 0.64 | 0.69 | 0.74 | 0.76 | 0.79 | 0.81 |
| 14% | 0.54 | 0.59 | 0.63 | 0.67 | 0.70 | 0.72 | 0.74 |
| 16% | 0.50 | 0.54 | 0.58 | 0.62 | 0.64 | 0.65 | 0.67 |
| 18% | 0.45 | 0.49 | 0.53 | 0.56 | 0.58 | 0.60 | 0.62 |

| FCF to Equity Discount Rate | Opex (C$/t, FOB Pointe Noire) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $80 | $75 | $70 | $65 | $60 | $55 | $50 |
| 8% | 0.37 | 0.56 | 0.74 | 0.92 | 1.09 | 1.27 | 1.44 |
| 10% | 0.34 | 0.51 | 0.67 | 0.83 | 0.99 | 1.14 | 1.30 |
| 12% | 0.31 | 0.46 | 0.61 | 0.75 | 0.89 | 1.04 | 1.18 |
| 14% | 0.28 | 0.42 | 0.56 | 0.69 | 0.81 | 0.94 | 1.07 |
| 16% | 0.26 | 0.39 | 0.51 | 0.63 | 0.74 | 0.86 | 0.97 |
| 18% | 0.24 | 0.36 | 0.47 | 0.57 | 0.68 | 0.78 | 0.89 |

| FCF to Equity Discount Rate | Mining Strip Ratio | | | | | | |
|---|---|---|---|---|---|---|---|
| | 0.5 x | 1.0 x | 2.0 x | 3.0 x | 4.0 x | 5.0 x | 6.0 x |
| 8% | 1.25 | 1.18 | 1.04 | 0.90 | 0.76 | 0.61 | 0.47 |
| 10% | 1.13 | 1.07 | 0.94 | 0.81 | 0.69 | 0.56 | 0.43 |
| 12% | 1.02 | 0.97 | 0.85 | 0.74 | 0.62 | 0.51 | 0.39 |
| 14% | 0.93 | 0.88 | 0.78 | 0.67 | 0.57 | 0.46 | 0.36 |
| 16% | 0.85 | 0.80 | 0.71 | 0.62 | 0.52 | 0.42 | 0.33 |
| 18% | 0.77 | 0.73 | 0.65 | 0.56 | 0.48 | 0.39 | 0.30 |

**4 Mt/yr x 8 yr Mine Life**

| FCF to Equity Discount Rate | Iron Ore Price (US$/t, 62% Fines CFR China) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $100 | $105 | $110 | $115 | $120 | $125 | $130 |
| 8% | 0.48 | 0.80 | 1.12 | 1.43 | 1.73 | 2.04 | 2.34 |
| 10% | 0.42 | 0.71 | 0.99 | 1.27 | 1.54 | 1.81 | 2.08 |
| 12% | 0.37 | 0.63 | 0.88 | 1.13 | 1.37 | 1.61 | 1.85 |
| 14% | 0.33 | 0.56 | 0.79 | 1.01 | 1.22 | 1.44 | 1.66 |
| 16% | 0.29 | 0.50 | 0.70 | 0.90 | 1.10 | 1.29 | 1.49 |
| 18% | 0.25 | 0.45 | 0.63 | 0.81 | 0.99 | 1.16 | 1.34 |

| FCF to Equity Discount Rate | Upfront Capex ($mm) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $340 | $320 | $300 | $280 | $260 | $240 | $220 |
| 8% | 1.25 | 1.31 | 1.37 | 1.43 | 1.48 | 1.54 | 1.59 |
| 10% | 1.12 | 1.17 | 1.22 | 1.27 | 1.31 | 1.36 | 1.41 |
| 12% | 0.99 | 1.04 | 1.08 | 1.13 | 1.17 | 1.21 | 1.25 |
| 14% | 0.89 | 0.93 | 0.97 | 1.01 | 1.05 | 1.08 | 1.12 |
| 16% | 0.79 | 0.83 | 0.87 | 0.90 | 0.94 | 0.97 | 1.00 |
| 18% | 0.71 | 0.75 | 0.78 | 0.81 | 0.84 | 0.87 | 0.90 |

| FCF to Equity Discount Rate | Opex (C$/t, FOB Pointe Noire) | | | | | | |
|---|---|---|---|---|---|---|---|
| | $75 | $70 | $65 | $63 | $60 | $55 | $50 |
| 8% | 0.71 | 1.01 | 1.32 | 1.43 | 1.61 | 1.91 | 2.20 |
| 10% | 0.63 | 0.90 | 1.17 | 1.27 | 1.43 | 1.69 | 1.96 |
| 12% | 0.56 | 0.80 | 1.04 | 1.14 | 1.28 | 1.51 | 1.74 |
| 14% | 0.49 | 0.71 | 0.93 | 1.01 | 1.14 | 1.35 | 1.56 |
| 16% | 0.44 | 0.64 | 0.83 | 0.91 | 1.02 | 1.21 | 1.40 |
| 18% | 0.39 | 0.57 | 0.75 | 0.82 | 0.92 | 1.09 | 1.26 |

| FCF to Equity Discount Rate | Mining Strip Ratio | | | | | | |
|---|---|---|---|---|---|---|---|
| | 0.5 x | 1.0 x | 2.0 x | 3.0 x | 4.0 x | 5.0 x | 6.0 x |
| 8% | 2.02 | 1.90 | 1.66 | 1.43 | 1.19 | 0.95 | 0.70 |
| 10% | 1.79 | 1.69 | 1.48 | 1.27 | 1.05 | 0.84 | 0.62 |
| 12% | 1.60 | 1.50 | 1.32 | 1.13 | 0.94 | 0.75 | 0.55 |
| 14% | 1.43 | 1.34 | 1.18 | 1.01 | 0.84 | 0.66 | 0.49 |
| 16% | 1.28 | 1.20 | 1.05 | 0.90 | 0.75 | 0.59 | 0.43 |
| 18% | 1.15 | 1.08 | 0.95 | 0.81 | 0.67 | 0.53 | 0.39 |

Source: Maison Placements

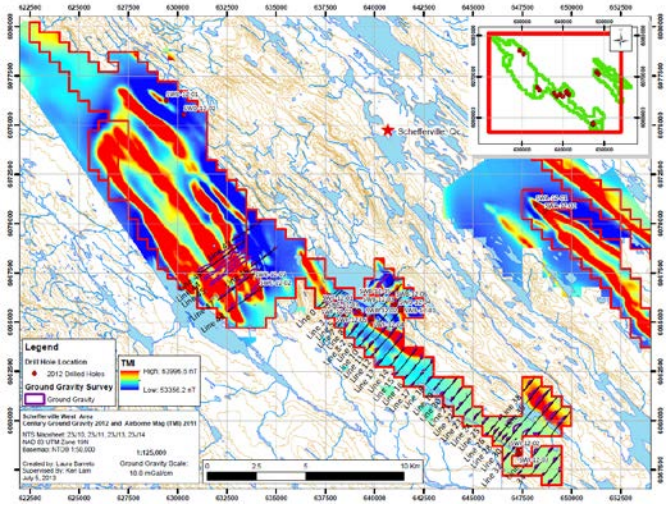
## DSO Project #3 – Schefferville

The Schefferville property lays just 5-10km southeast of the town of Schefferville, and is therefore very close to existing rail infrastructure as well as past and present DSO mining operations.

Century is in the process of trenching and drilling the property, and management believes the property is a good candidate for a DSO project. At 11,875 hectares, the land package is smaller than Joyce Lake (14,100 ha) and Lac Le Fer (16,312 ha), but sizeable enough to host a significant DSO resource. So far, two drill core results from 2013 provide an indication of good mineralization – 15 m grading 59.6% Fe and 45 m grading 54.3% Fe, including 15 m at 65.8% Fe. Both holes are at the southeastern corner of the property, with similar low/neutral magnetic readings and high gravity readings extending northwest along strike. Trenching by Century has provided further evidence of DSO, coupled with evidence of historic definition trenching activity along strike.

A second parallel magnetic anomaly exists to the northeast, and happens to be on strike with the LIM's Houston deposit (30 Mt M&I resource).

Exhibit 9 – Schefferville DSO Prospect Exploration Plan




Source: Century Iron Mines

It is too early to speculate on the potential value of a project on the property, but there would be clear logistical advantages due to the proximity of rail infrastructure which could positively impact the valuation. We also note that the property is 100% owned by Century, which offers an opportunity to bring in a JV partner and share the upfront costs and economics. A project with similar parameters to our Joyce Lake or Lac Le Fer analysis could create another $0.25-1.00+ per share of value for Century.

*A note about the project ownership structure: The Schefferville property is 100% owned by Century, having been acquired as part of the Altius properties in 2011. The property is subject to a 1-4% sliding scale gross sales royalty on iron ore produced from the property. Additional share-based compensation could be due to Altius based on the size of the resource identified on the property.*

## Taconite/Magnetite Projects

Century's other projects of note include Full Moon, Hayot Lake and Duncan Lake. The projects are generally larger scale magnetite operations with far more onerous capex and logistical considerations then the DSO projects. The projects are profiled in the Appendix.

As a general comment, taconite/magnetite deposits are very costly to bring to production, requiring significant infrastructure that is only justified by a large scale of operation. This could include a large concentrator, a pellet plant (concentrate can only be shipped in pelletized form), considerable rail capacity and/or a slurry pipeline (to move concentrate to a pellet plant near rail or port), as well as access to large amounts of electricity. Such projects typically cost several billions of dollars.

A taconite project in the far north also faces technical challenges of implementing a wet processing plant in a very cold climate and handling moist product, whether by rail or by pipe, without freezing. We have yet to see a working example of such an operation.

As a result of the financial, technical, logistical and environmental challenges, as well as weakness and volatility in the iron ore price, investors have attributed low valuations to taconite/magnetite projects, well below the valuations implied by their various technical reports. Below we present valuation metrics for several taconite projects. New Millennium shows the highest value per resource and per dollar of NAV, but has a DSO operation that we believe accounts for most of its value. For Adriana and Cap-Ex ventures, the company market cap essentially reflects the value of balance sheet cash, with minimal value granted for the taconite resource or project NAV.

Exhibit 10 - Taconite Project Valuations

| Company | Project | M&I&I Resource | %Fe | Capex (mm) | Cash Cost/t | Target Mt/yr | Mine Life | After-tax NAV 8% | EV (mm) | EV/ Resource | EV/ NAV |
|---|---|---|---|---|---|---|---|---|---|---|---|
| New Millennium | KéMag | 3,462 | 31.2% | 4,451 | 25.61 | 22 | 25 | 6,334 | 59 | 0.033 | 0.039 |
| | LabMag | 5,741 | 29.4% | 3,239 | 35.99 | 15 | 25 | 1,221 | | | |
| Adriana | Lac Otelnuk | 23,740 | 29.7% | 12,909 | 31.07 | 50 | 34 | 11,812 | -3 | -0.001 | -0.001 |
| Cap-Ex Ventures | Block 103 | 7,200 | 29.2% | 5,979 | 62.87 | 16.6 | 30 | 1,588 | 7 | 0.003 | 0.005 |

EV/Resource based on contained iron resource (Fe% x tonnage), adjusted for ownership
NAV standardised to $145/t pellet price (CFR China) with all costs inflated to 2013 levels at a rate of 8% per annum; NAV is presented on an unlevered basis.

Source: Company Reports, Maison Placements

We therefore find it prudent to ascribe nominal value to Century's taconite/magnetite projects in the current market environment. Century has defined 19 Bt of taconite/magnetite resources, which includes 5.7Bt of contained iron (tonnage x Fe%). Using a conservative multiple of $0.002 per tonne of contained iron, we derive a value of $11mm for these assets, or $0.12 per share. We note the potential for significant value creation should one of these projects advance.

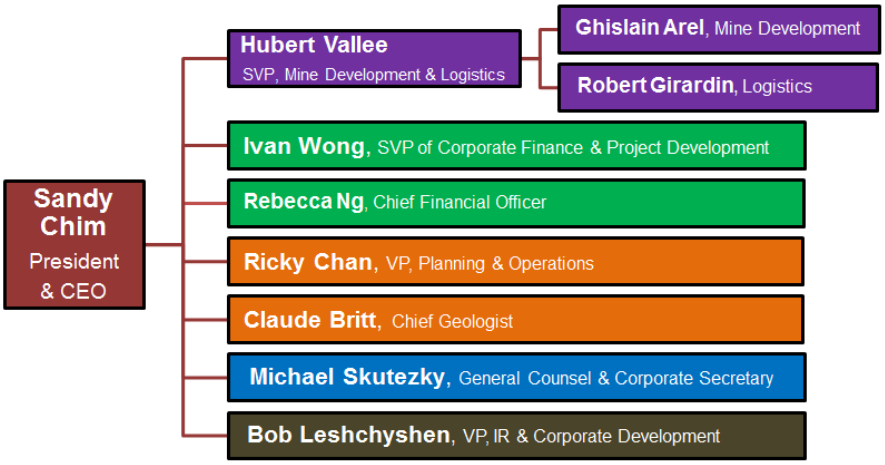
## Management Team

Century is led by CEO Sandy Chim, who has assembled the operational team, brought key strategic partners WISCO and Minmetals to the table, and spearheaded the public listing and financing of the company. Mr. Chim has been involved with Century since 2007, and brings previous iron ore development experience from his involvement as a major shareholder of Consolidated Thompson and its Bloom Lake mine in the Labrador Trough.

We believe that Century's strong funding position and strategic ties to China have helped to attract a very capable operational team, led by Hubert Vallée as Senior Vice President, Logistics, Mine Development and Operations. Mr. Vallée has 28 years of experience in the mining industry, notably as manager of pellet plant operations for both Quebec Cartier and IOC, as well as senior development roles with Consolidated Thompson as it advanced the Bloom Lake mine. He is assisted by Ghislain Arel in mine development (18 years mining experience including Assistant GM at Consolidated Thompson) and Robert Girardin in logistics (21 years Labrador Trough experience including GM Business Improvement at the Consolidated Thompson operation).

The extended management team is presented below.

Exhibit 11 – Senior Management Team




Source: Century Iron Mines

## Capital Structure

As of June 2013, Century had 94.3mm shares outstanding, as well as 9.9mm options outstanding with an average strike price of $2.92 and average maturity of 3.4 years. In our valuation models we assume the options expire unexercised. An additional 2mm shares and 1mm warrants are due to be issued to Champion Iron Mines pursuant to the Attikamagen minority interest buy-out announced on Oct. 2, 2013. Net working capital totaled $50.0mm as of June, including cash of $34.1mm, and there was no debt on the balance sheet. In addition, the company holds cash within its various joint ventures, including $20mm contributed to the Attikamagen JV (Joyce Lake) in September 2013. Century became a

publicly-traded entity by way of a Qualifying Transaction in May 2011, which included a $60.9mm investment by WISCO for 25% of the common shares, a $12.2mm investment by Minmetals for 5% of the common shares, and private placement proceeds of $43mm. Major holders of Century's shares currently include WISCO (25%), Minmetals (5%), founding shareholders and directors (32%), and management (23%). This leaves approximately 16% of the shares in the public float.

## Conclusion

Century Iron Mines stands out from the universe of junior iron ore developers by virtue of its focus on DSO (low technical risk, capex, and development time), strong strategic partnerships with WISCO and Minmetals, and solid funding profile that should allow the first project to advance without additional equity dilution. The timing of the Joyce Lake project also aligns well with expected access to multi-user infrastructure at the port, providing a low-cost logistics solution.

We believe Century's shares could see substantial upside if we consider the various elements of current value and future value creation:

- Working capital at the parent company level totaling $50mm, or $0.52/share
- Joyce Lake value of $0.17/share currently, or $0.38/share if the mine life is extended by 2 years
- Lac Le Fer "blue sky" valuation of over $1.00/share
- Schefferville West "blue sky" valuation of over $1.00/share
- Taconite/magnetite resource value of $0.12/share, with significant upside potential

**In short, successful advancement of all three DSO projects could warrant a valuation close to $3.00/share for Century, with an embedded call option on major taconite/magnetite projects.**

Over the near term, we look forward to the following catalysts pertaining to the Joyce Lake project to unlock value in the shares:

- Q4/13 – Updated resource estimate (which could underpin a longer mine life)
- 2014 – Bankable Feasibility Study
- 2014 – Offtake agreement for remaining 40% of product (assuming WISCO subscribes for 60%)
- 2015 – Pre-stripping and pre-production start

Exhibit 12 – Joyce Lake Project Roadmap

| | 2013 | | 2014 | | | | 2015 | | | | 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Environmental Studies | | | | | | | | | | | | |
| Feasibility (BFS) | | | | | | | | | | | | |
| Permitting & IBA | | | | | | | | | | | | |
| Construction & Overburden removal / Pre-Production | | | | | | | | | | | | |
| Commercial Production | | | | | | | | | | | | |

Source: Century Iron Mines

## Key Risks

We note the following key risks associated with the Joyce Lake project and Century's business in general:

**Iron ore pricing** – The company is exposed to volatile global iron ore pricing, which adds uncertainty to project cash flows and valuation, and may negatively impact Century's financial position. Moreover, Century's product may be subject to pricing adjustments depending on the final level of iron content and impurities.

**Commercial agreements** – Century has potential customers in WISCO and Minmetals for a portion of its product, but buyers for 100% of the product have yet to be arranged.

**Financing** – Century's projects require significant capital outlays which we assume will be largely financed with debt. Debt financing has yet to be arranged, while the remaining equity financing could require additional equity issuance by Century.

**Technical risks** – There are numerous technical hurdles that could impact the timing and economics of Century's iron ore projects. Specific to Joyce Lake, two unique technical risks are the ice bridge that must be constructed each year and the dewatering of Joyce Lake.

**Mine life** – With the current resource, Joyce Lake has a short mine life and it is unclear if neighbouring properties could add to the resource and leverage the project infrastructure. The short mine life makes it critical to achieve budgeted costs in order to achieve the targeted cash flows, as there is little room for error. Moreover, the Joyce Lake resource was determined using an in-situ density of 3.2t/$m^3$ for mineralised material. This is higher than New Millennium's assumption of 3.0 t/$m^3$ for its DSO project, and the recently-recalculated 2.84 t/$m^3$ for LIM's James Mine where the ore was found to be more porous than originally assumed. A lower actual density could reduce the mine life at Joyce Lake.

**Weather** – The northern Labrador Trough is subject to severe winter weather conditions that could affect mining and transport, and could therefore impact the productivity and costs of the operation.

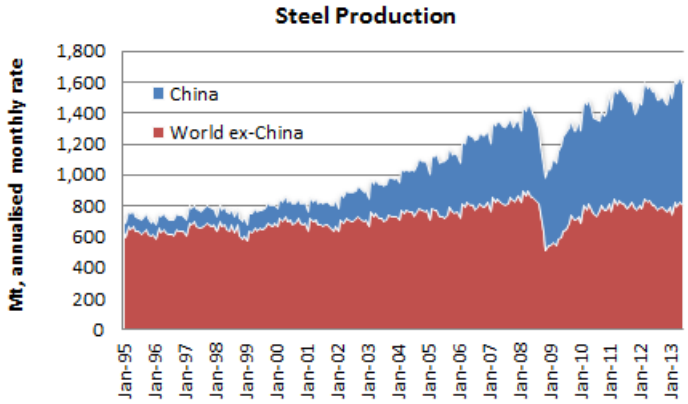
**Port and terminal availability** – A multi-user port facility is being constructed, and we expect it to be operational by the time Century is in production, although the cost of access to the port is still to be determined. Also, a multi-user rail terminal and storage solution has yet to be found.

# The Iron Ore Market: Demand Growth Continues, while Supply Plays Catch-up

## Demand Drivers Firmly in Place

Demand for iron ore is explicitly linked with steel production, its main end market. Steel production, in turn, has increased dramatically over the past decade due to the impact of China, while the rest of the world's steel production has expanded modestly and retreated during the downturn of 2008-2009. Global steel production is currently running at a rate of 1.6 Bt/year, with China accounting for about half of the total.

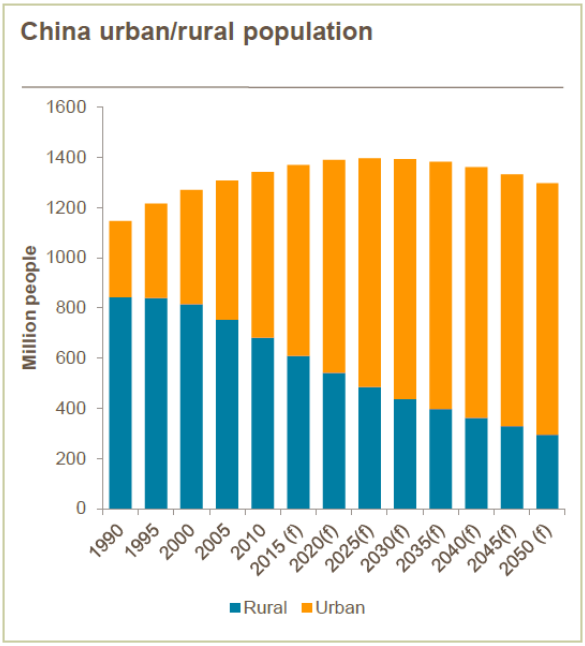
Exhibit 13



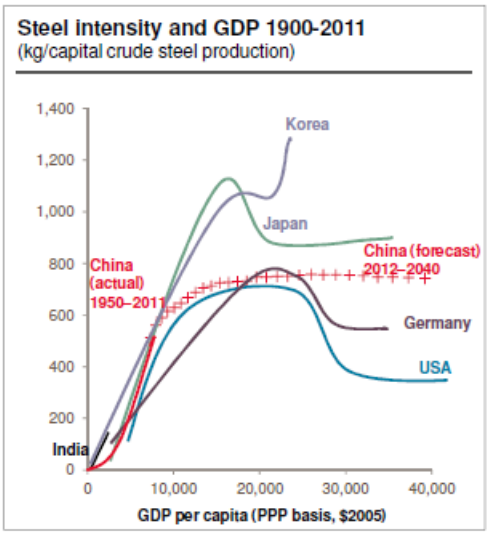

Source: Bloomberg

China's steel production is largely driven by the country's rapid urbanisation and industrialisation, which appear to be trends with considerable upside remaining. China's urban population has nearly doubled since 1990 to represent 47% of the total population, but still sits below the rest of the world at 57%. There is room to close this gap, as well as to participate in the ongoing urbanisation of the world as a whole. We expect this change to be accompanied by higher steel intensity, which has been demonstrated in the development paths of other economies. Within China itself, the disparity of steel intensities between urban and rural households is dramatic, as is the steel intensity of more developed (e.g. Shanghai) versus less developed (e.g. Sichuan) urban areas.

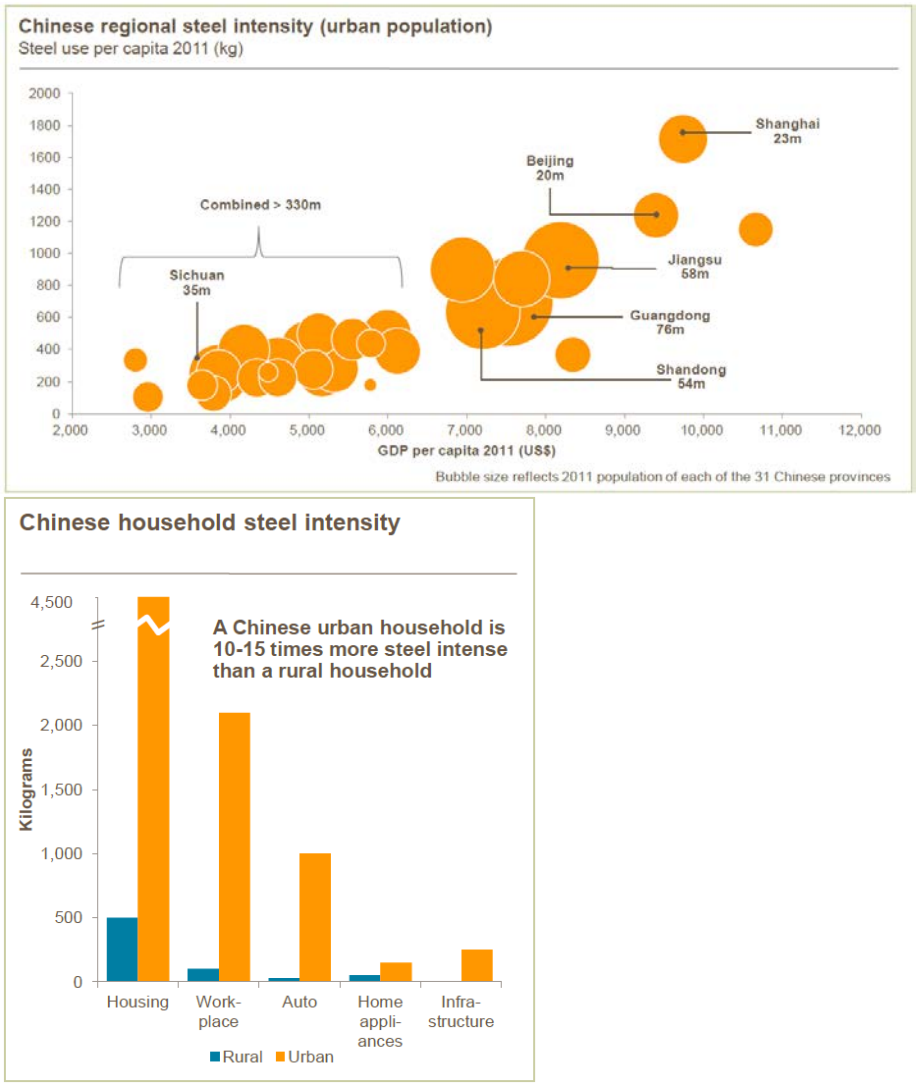
Exhibit 14 – Indicators of China's Urbanization and Steel Intensity




Source: United Nations, Rio Tinto

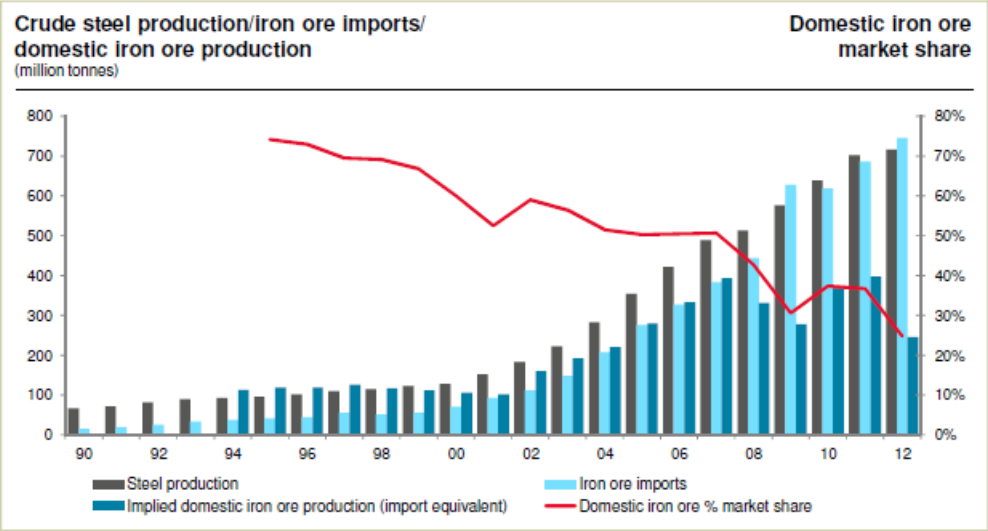

Source: Correlates of War, Maddison, Global Insight, Rio Tinto




Source: McKinsey Global Institute; China Statistical Yearbook 2011, Rio Tinto

China's steel production, and hence its thirst for iron ore, are well captured in Exhibit 15. While China's domestic iron ore production has expanded rapidly, the iron content of this ore has been falling, with the effect of stalling its iron ore output on an export-equivalent basis (i.e. when converted to 62% iron content). In short, as the quality of the ore deteriorates, a larger quantity is needed to make one tonne of steel. This has resulted in strong growth for iron ore imports into China, now accounting for roughly 70-75% of its iron ore needs.

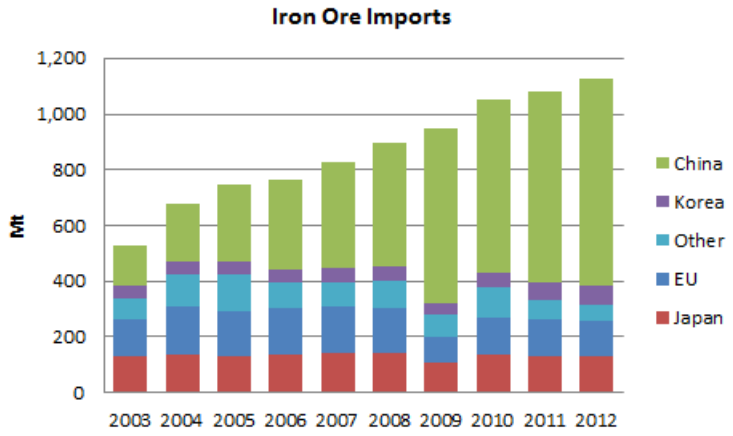
Exhibit 15 – China's Declining Domestic Iron Ore Production




Source: World Steel Assoc., GTIS, RTIO Analysis

The sheer scale of China's iron ore requirements has led to its domination of the seaborne iron ore market, accounting for almost two-thirds of the demand. This, in turn, has contributed to a general increase in seaborne iron ore pricing, as well as volatility in the price that is attributable to China's purchasing decisions and growth policies. Other major consumers like Japan, Europe and Korea have maintained fairly stable import requirements, and are just barely returning to pre-downturn levels.

Exhibit 16

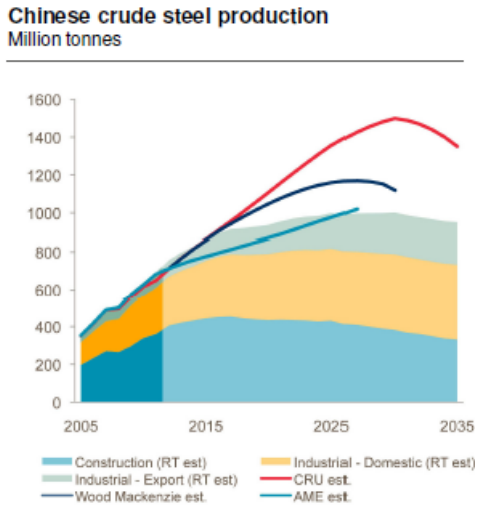



Source: ABARES

Assuming a stable demand environment in the rest of the world, a key question is, "What will China's import demand profile look like over the coming years?" China's steel output has expanded by about 15% per year in the last decade, well above its real GDP growth of 10%. However in its 12th five-year plan to 2015, China aims to consolidate a fragmented industry full of inefficient operators, which we

think will lead to slower growth in steel output. Forecasts from Chinese government organisations as well as several independent sources point to steel production growth in the range of 4-6% in the near term. Given China's current iron ore needs of about 1 Bt (import-equivalent basis), a growth rate of 5% would suggest incremental iron ore demand in the range of 275 Mt/year in the next 5 years.

Exhibit 17

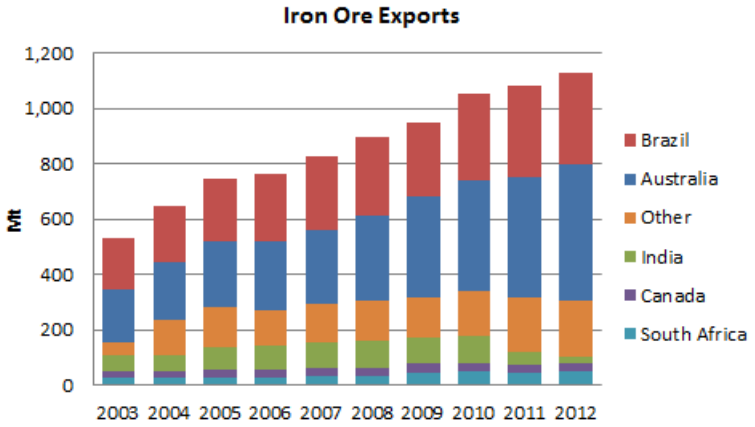



Source: CRU, AME, Wood Mackenzie, Rio Tinto

## Supply Looks Ample… On Paper

The main suppliers of iron ore into the seaborne market are Australia and Brazil, accounting for over 70% of the market. India had been a more significant exporter in the past, but is now curtailing exports in order to feed its own growth needs. Canada represents a fairly small but steady 3% of the global market.

Exhibit 18




Source: ABARES

From a corporate perspective, the “Big 3” producers (BHP, Vale, Rio Tinto) account for approximately two-thirds of the seaborne market. All three have aggressive growth objectives for their iron ore businesses:

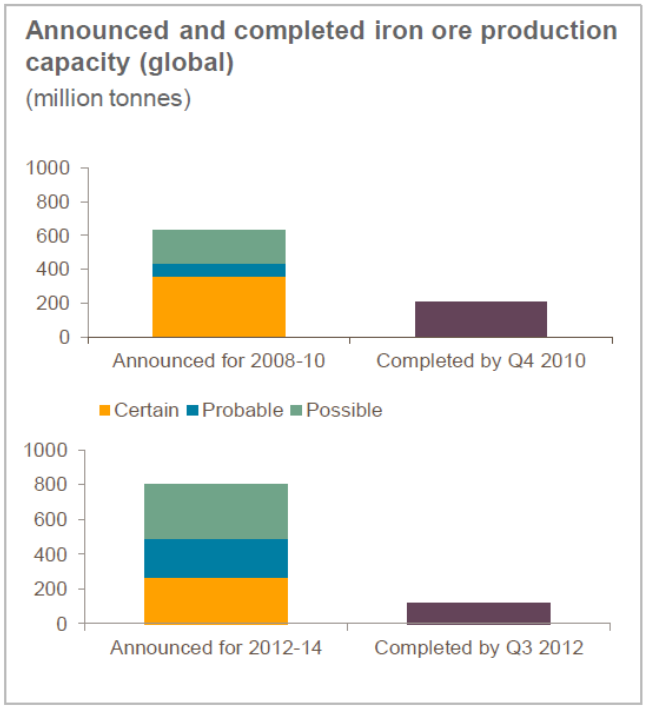
- Vale, the largest producer, is on track to produce 306 Mt of iron ore in 2013. The near-term expansion plans for its Brazilian assets include infrastructure improvements to support an additional 150 Mt/yr, coupled with a mining expansion of 40 Mt/yr at Carajas. Further mine expansions at Carajas are expected to bring total production up to 400 Mt/yr by 2017.
- Rio Tinto produced at an annualized rate of 254 Mt in the first half of 2013, including 240 Mt/yr at its Pilbara operations and 14 Mt/yr in Canada. The company aims to expand the Pilbara operations to 290 Mt/yr of capacity this year and to 360 Mt/yr by 2017/18, with infrastructure enhancements already underway to support this longer-term growth. The Canadian operations have also been the subject of capacity expansion studies, from 23 Mt/yr currently towards 50 Mt/yr eventually, although these plans are very preliminary.
- BHP produced 209 Mt of product from its Western Australian and Brazilian JV operations in the recent year. In the next two years, the company plans to expand its Western Australian operations to 220 Mt/yr versus 187 Mt produced recently, and already has the expanded port infrastructure in place.

The expansion plans by the Big 3 have been pared back recently in response to weaker iron ore pricing and investor pressure to contain costs, coupled with leadership changes that were meant to address overly aggressive growth plans. Nonetheless, the Big 3 producers still aim to increase production by about 240 Mt/year in the next 5 years. Add to this expansion plans by Fortescue (+100 Mt) and Anglo American (+27 Mt), and we easily surpass our assumption of China needing another 275 Mt. This is before taking into account numerous development projects by smaller players.

We believe the reality of iron ore supply will be much different. Firstly, the delivery of incremental capacity has had a poor track record, with less than half of previously announced capacity actually materialising in 2010 and an even lesser fraction delivered in 2012 (Exhibit 19). With the recent focus on cost containment at the Big 3, we would expect project expansions to proceed very cautiously. Secondly, lost production capacity must be replaced – estimated by Vale to be 80 Mt per year. This represents a substantial portion of any incremental supply.

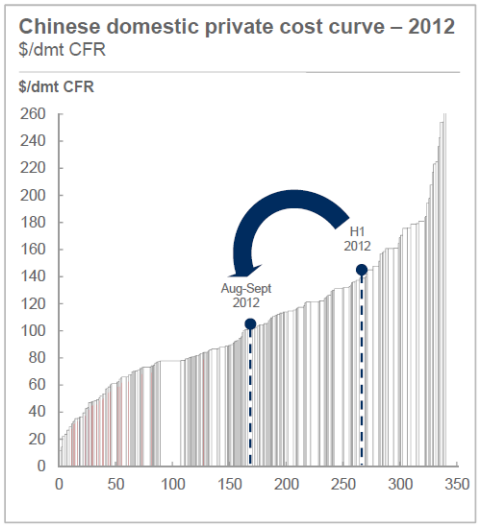
We therefore expect a balanced market, if not tightness in supply over the near term. We expect iron ore pricing to continue being driven by the marginal cost of supply from Chinese producers, which currently sits in the range of $120-140/t CFR. Allowing for volatility and a more conservative forecast for the purposes of our financial models, we have set our price forecast at $115/t for the near-to-medium term.

Exhibit 19 – Iron Ore Project Execution




Source: UNCTAD, Rio Tinto

Exhibit 20 – China's Domestic Iron Ore Cost Curve




Source: Platts, CU Steel, National Bureau of Statistics, Rio Tinto

## Overview of the Labrador Trough

The Labrador Trough is a geological region extending south from Ungava Bay through Labrador and Quebec, southwestward into central Quebec. The Trough is about 1,600 km long and 160 km across at its widest point. It comprises early Proterozoic sedimentary and volcanic rocks containing iron formations that have been mined since 1954. The iron formations are of the Lake Superior type (meta-taconite), consisting of banded sedimentary rocks composed principally of bands of iron oxides, magnetite and hematite within quartz-rich rock, with various amounts of silicate, carbonate and sulphides. Such formations have been the principal sources of iron throughout the world.

Mining activity today is centered near Labrador City and Wabush in Labrador, and Fermont, Quebec about 14 km to the west. This area, which forms part of the Grenville Province, is characterised by greater metamorphosis and folding compared to the northern part of the Trough, resulting in coarser-grained ore that is considered easier to process than the finer ores in the northern deposits. Nonetheless, mining activity is also picking up in historically mined DSO areas further north near Schefferville.

The more active mining area near Labrador City, Fermont and Wabush, is home to mines operated by Cliffs Natural Resources (Bloom Lake & Wabush/Scully mines), the Iron Ore Company of Canada (Carol Lake), and ArcelorMittal (Mont Wright, Fire Lake). About 40 Mt/year of iron ore product is currently produced in this region. The area is serviced by a common carrier railway (QNS&L) and ArcelorMittal's private rail (Cartier railway), which connect to the ports of Sept-Îles/Pointe Noire and Port Cartier, respectively, along the St. Lawrence River.

Mining in the northern parts of the Trough near Schefferville was recently restarted by Labrador Iron Mines (James mine). Near-term production should also come from New Millennium's direct shipping ore deposits, followed by Century's Joyce Lake project. Iron ore produced in the area is railed along the Tshiuetin Rail, which then connects to IOC's QNS&L rail leading to the port of Sept-Îles. Further to the north, and beyond the rail line, lie the deposits of Adriana Resources (Lac Otelnuk) and Oceanic Iron Ore (Ungava).

Exhibit 21 - Labrador Trough Iron Ore Deposits


Source: Intierra Mapping

## Rail Infrastructure

The existing rail network terminates in Schefferville, just 20 km away from Century's Joyce Lake deposit. The network consists of two rail segments joining Schefferville to ports along the St. Lawrence River: 1) the Tshiuetin (TSH) Railway operated by local First Nations, which covers 217 km from Schefferville to Emeril Junction near Labrador City, 2) the Quebec North Shore and Labrador (QNS&L) Railway operated by the Iron Ore Company of Canada (IOC), which runs 356 km from Emeril Junction to the port at Sept-Îles and links to the Arnaud Railway (34 km), serving the port at Pointe Noire. The above railways are deemed "common carriers", and as such are obligated to provide rail services on commercially reasonable terms.

We believe capacity on the TSH rail is currently constrained, but could be improved. The TSH provides passenger services and transports DSO product for Labrador Iron Mines (about 2 Mt per year and 5 Mt

targeted eventually). It is also transporting DSO production from New Millennium's project (up to 6 Mt targeted). We understand that reaching these targets will require some refurbishment of the rail, which the producers are helping to fund. Further tonnage from Century's DSO project could require additional upgrades.

If we consider all the planned iron ore projects coming on-stream at their stated capacities, then capacity on the QNS&L rail could eventually become constrained. IOC's Carol Lake mine, Cliffs' Wabush and Bloom Lake mines, as well as the two Schefferville producers are currently using the QNS&L rail to transport ore to the port. Total concentrate production being shipped is approaching 30 Mt, with the producers operating below their stated capacity. The railway reports volumes of up to 7 trains per day (240 cars x 90-100 t), or up to 61 Mt annualised, that it has proven capable of handling in the past. We understand that capacity of over 100 Mt is feasible, but this would require further investment in rail sidings and other upgrades.

Total production capacity is targeted to reach about 62 Mt for the existing and near-term iron ore producers, which gives us comfort that Century's Joyce Lake DSO project will have adequate room on the main line. Longer-term expansion plans could result in over 100 Mt of production in the Trough (not including Taconite projects), which would most certainly require rail capacity upgrades. Capacity along the final stretch of the journey – i.e the Arnaud Rail and future rail terminal facilities – still needs to be sorted out, and will require some form of upgrade to service the new multi-user dock.

Exhibit 22 – QNS&L Rail Capacity Outlook

| Project | Company | Current Capacity | Near-term | Potential |
|---|---|---|---|---|
| Carol Lake | IOC | 22 | 23.3 | 50 |
| Wabush | Cliffs | 5.5 | 5.5 | 5.5 |
| Bloom Lake | Cliffs | 7 | 14 | 21 |
| DSO | Labrador Iron Mines | 2 | 5 | 5 |
| DSO | New Millenium | 2 | 4.2 | 6 |
| Kami | Alderon | | 8 | 16 |
| Subtotal (Mt) | | 38.5 | 60.0 | 103.5 |
| Joyce Lake | Century | | 2 | 2 |
| Total (Mt) | | 38.5 | 62.0 | 105.5 |
| | | Current capacity = 80-100 Mt | | |

Source: Company reports, Maison Placements

## Port Infrastructure

There are two port options available to Century. We believe that a proposed multi-user facility at Pointe Noire would be the preferred option.

1. Pointe Noire. The Point Noire port lies on the western side of the Baie des Sept-Îles, across the bay from the town of Sept-Îles. It is accessible by the Arnaud Railway, which runs around the bay and connects to the QNS&L rail. The port is currently used to ship iron ore from Cliffs' Wabush and

Bloom Lake operations. The docks offer no room for further expansion, meaning that any new party would need to negotiate with Cliffs for use of its loading capacity. The availability of the docks could be constrained given the planned expansion of production at Bloom Lake.

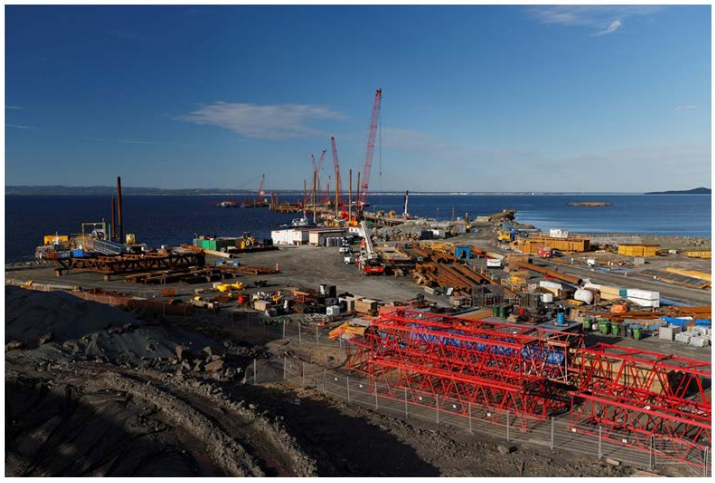
The port authority has embarked on a plan to expand the Pointe Noire facilities to accommodate a multi-user port facility capable of handling Chinamax vessels (over 300,000 DWT). The planned capacity is 50-60 Mt per annum at a cost of $220mm, funded by the port authority, the federal government ($55mm committed), and participating companies. Such incremental capacity should comfortably handle the volumes from new iron ore projects in the Trough. Construction of the port has started and is on target for operation by 2014. We believe this is the most accessible option for Century, although a multi-user rail terminal and storage solution has yet to be defined. Labrador Iron Mines and New Millennium/Tata are initiating studies into a new terminal, and we expect any solution to take 2-3 years to materialize.

2. Port of Sept-Îles. This option refers to the port facilities near the city of Sept-Îles, within the larger Port of Sept-Îles complex. The most viable option here is IOC's port facilities, as these are deep enough to handle capsize vessels. IOC's port is privately owned, and the company is under no obligation to grant access to competitors. The company did, however, agree to sell and ship DSO product from Labrador Iron Mines and New Millennium.

Exhibit 23 - Proposed Multi-user Loading Facility at Pointe Noire

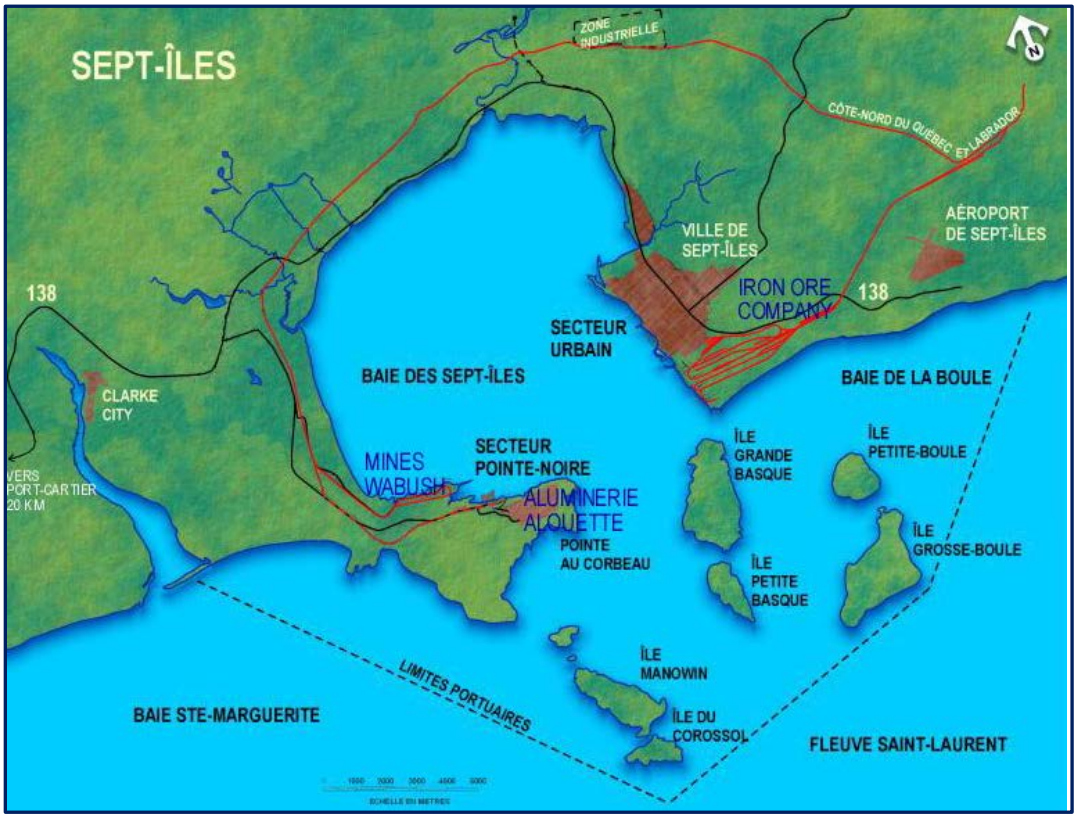
Source: Port of Sept-Îles

Exhibit 24 - Multi-User Port Construction in Progress



Source: Alderon Iron Ore

Exhibit 25 - Baie des Sept-Îles Layout




Source: Port of Sept-Îles

# Spotlight on Labrador Trough DSO Operations

## Labrador Iron Mines

Labrador Iron Mines (LIM) is an independent iron ore producer, operating the James mine and Silver Yards processing plant just outside Schefferville. The company started production in mid-2011 and is aiming to produce 1.75-2 Mt in 2013. The James mine has just 3.5 Mt of measured and indicated resource, implying a very short mine life remaining, although the company's total DSO resources in the surrounding area amount to 59 Mt (M&I) grading 56.7% Fe plus old waste stockpiles that can be processed cheaply. The stockpiles and other deposits can feed the Silver Yards plant while a second plant at the larger Houston deposit will likely be required to sustain operations.

Exhibit 26 - LIM DSO and Stockpile Resources

| DSO Deposits | Mt | % Fe | % SiO2 | % Al2O3 | % Mn |
|---|---|---|---|---|---|
| Measured | 36.95 | 57.00% | 11.90% | 0.78% | 1.20% |
| Indicated | 22.50 | 56.20% | 12.90% | 0.65% | 1.00% |
| M&I | 59.45 | 56.70% | 12.30% | 0.73% | 1.10% |
| Inferred | 4.67 | 55.80% | 13.20% | 0.71% | 1.40% |

| Old Stockpiles | Mt | % Fe | % SiO2 | % Al2O3 | % Mn |
|---|---|---|---|---|---|
| Indicated | 3.55 | 49.10% | 23.40% | 0.84% | 0.80% |
| Inferred | 2.90 | 48.80% | 24.50% | 0.71% | 0.70% |

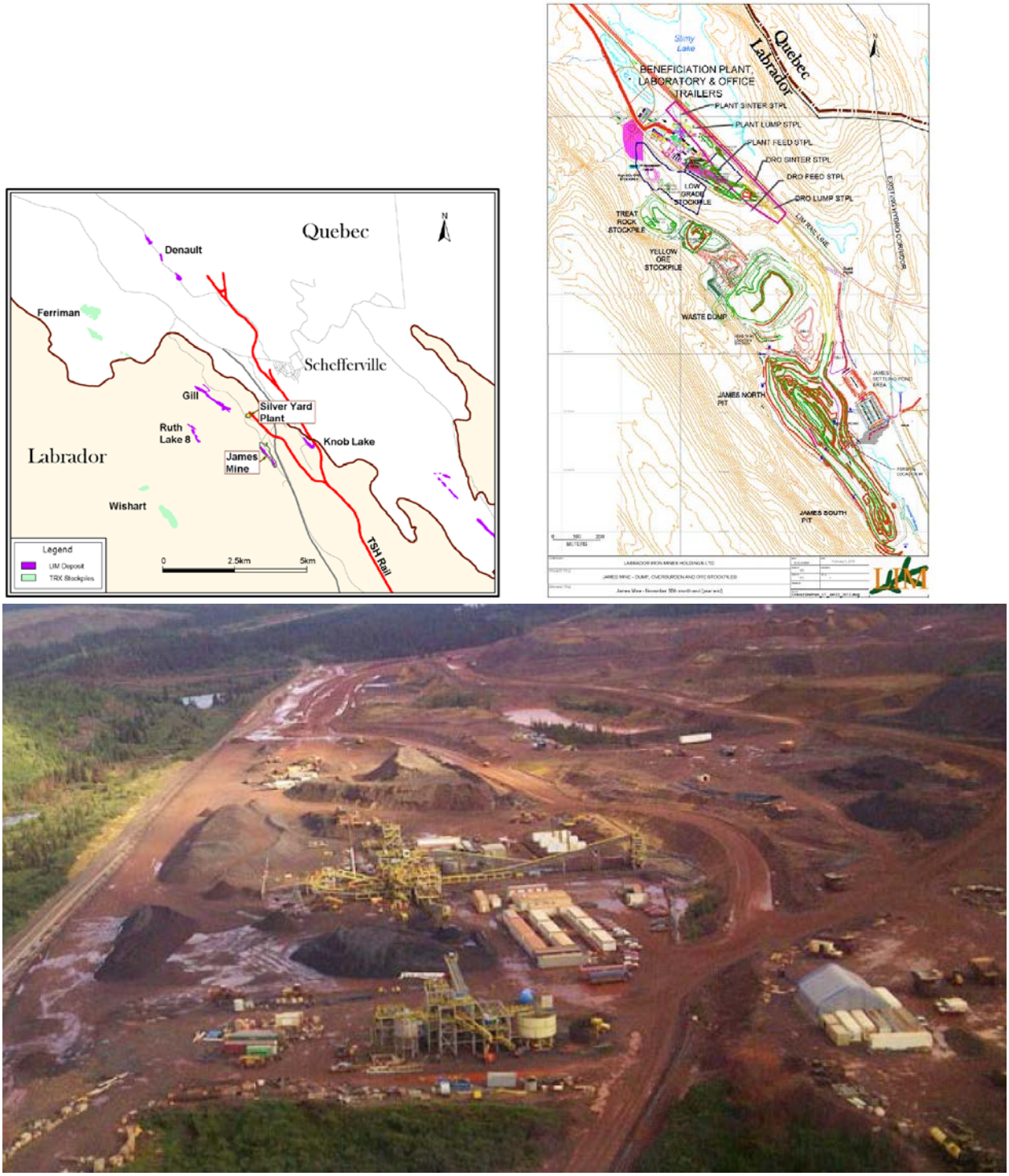
Source: Company reports

LIM's operation includes an open pit mine with primarily free-digging material supplemented by modest drilling and blasting. The run of mine ore is processed through a simple crush and screen operation, which has been the main source of product thus far given that the plant feed has been of fairly high grade. Lower grade ore is run through a wet process at the Silver Yards plant to produce sinter fines grading ~62% Fe. The mining and processing operation is seasonal, operating from around April to November depending on the weather. Processed ore is loaded onto railcars at the Silver Yards plant and transported along a 6 km private rail spur which connects to the Tshiuetin Rail. It is then transported to the IOC dock at the Port of Sept-Iles, where the ore is unloaded. From this point on, the handling, ship loading, shipping and marketing are handled by IOC. We expect the IOC arrangement to remain in place until a multi-user port and terminal facility are available to LIM.

The capex for LIM's operation will total around $127mm once the final phase of the plant and power connection are in place in 2013. This includes the Silver Yards plant ($84mm), rail infrastructure and mine camp, although it does not include exploration and mine development costs. LIM's cash operating costs (unloaded at the port) are targeted to be $65-70/t in 2013. LIM benefits from fairly low mining costs given its 1.8x strip ratio and free-digging material, although the processing requirements are more costly than those planned for Joyce Lake. LIM also operates its own rail spur, which adds to costs. Otherwise, logistics costs should be fairly similar to Joyce Lake. Where LIM gets squeezed is IOC's

handling and marketing fees, which add another $20/t by our estimate, bringing LIM's FOB costs closer to $90/t. A multi-user port and terminal should alleviate some of these costs.

Exhibit 27 – LIM Project Plan




Source: LIM Technical Report 2013 and Corporate Presentation

## New Millennium/Tata

Tata Steel Minerals Canada Ltd. (TSMC) is a joint venture formed between New Millennium (20%) and Tata Steel Ltd. (80%) to operate the DSO Project near Schefferville, just north of Labrador Iron Mines' operation. Production started in 2013 and is set to reach 2 Mt in the first year. The company is targeting production of 4.2 Mt in 2014 and 6 Mt in 2015. With a sizeable resource of 85 Mt (M&I) plus 10 Mt inferred, the operation has been designed for a 10-year mine life.

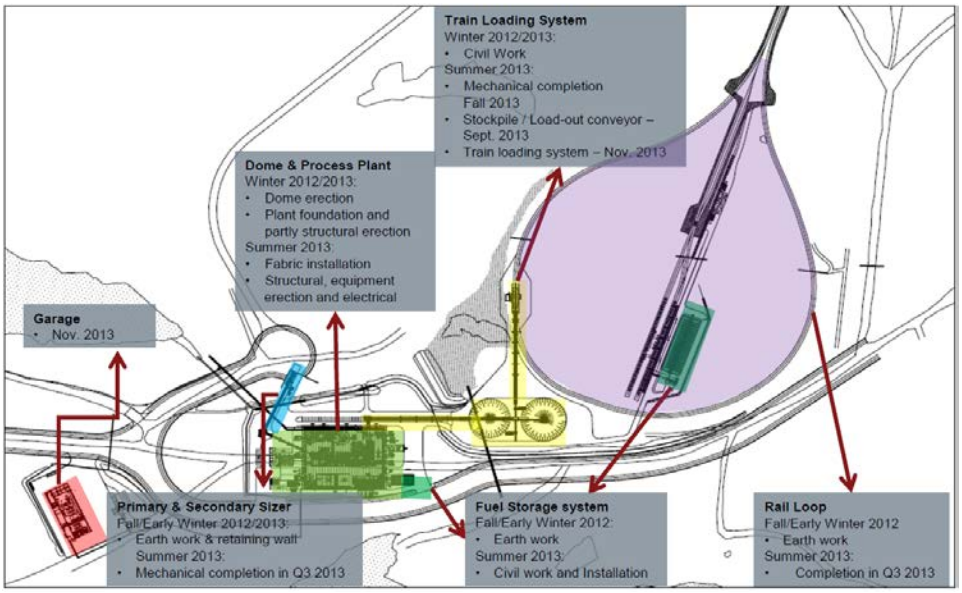
Exhibit 28 - TSMC DSO Project Resources

| | Mt | % Fe | % SiO2 | % Mn |
|---|---|---|---|---|
| Measured | 26.5 | 59.6% | 6.30% | 0.13% |
| Indicated | 58.6 | 59.0% | 9.07% | 0.47% |
| M&I | 85.1 | 59.2% | 8.21% | 0.37% |
| Inferred | 10.3 | 58.3% | 9.48% | 0.56% |

Source: Company reports

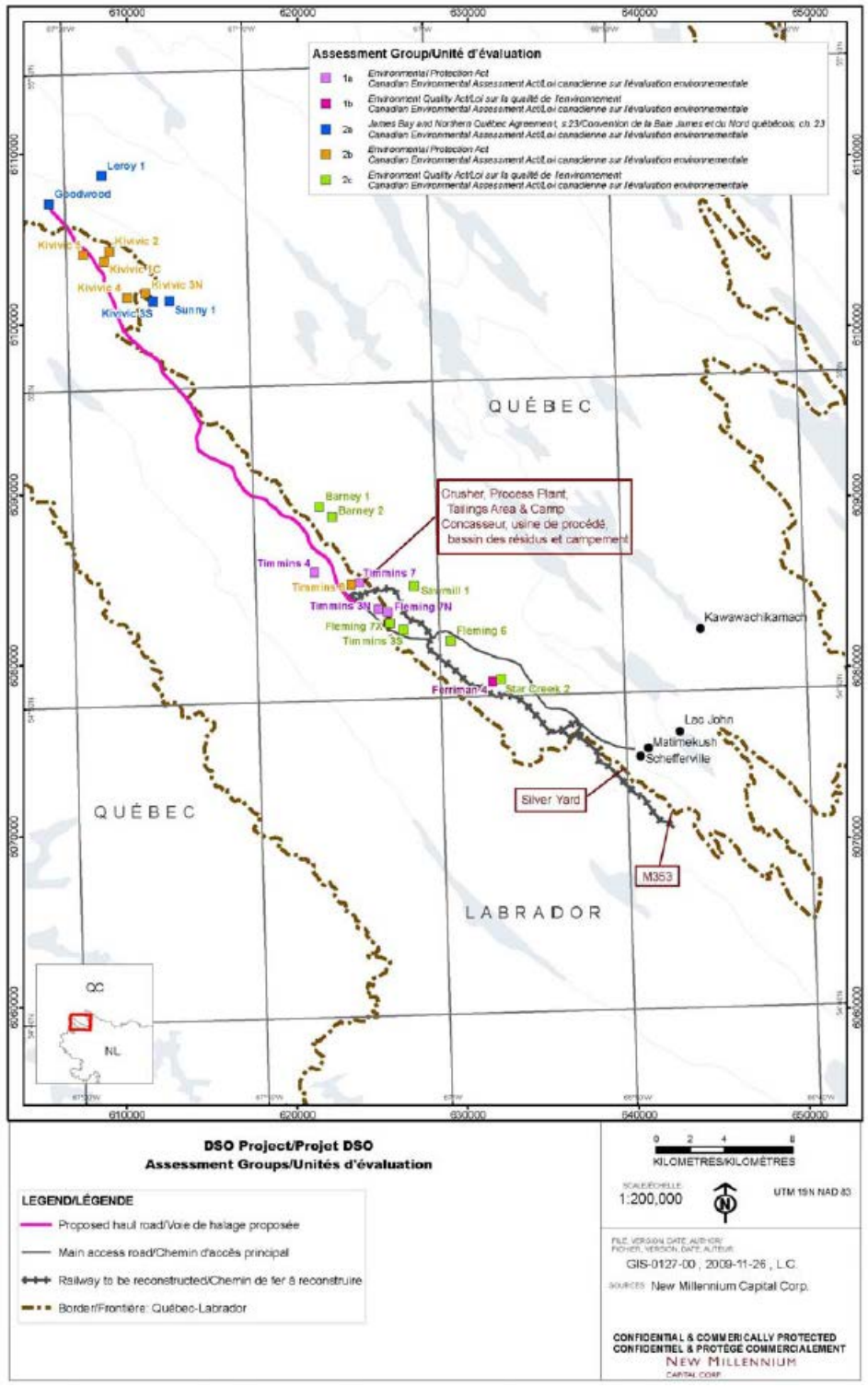
TSMC's project consists of open pit mines across several adjacent deposits. High-grade material is initially being processed through a simple crush and screen operation, while lower-grade material will be destined for the Timmins processing plant nearby, which is slated to start operations in early 2014. The plant will include a wet process to produce sinter fines and super fines of ~66% Fe, and will be enclosed in a massive tented dome to enable year-round processing in the harsh climate. Rail cars will be loaded at the plant and travel along a 28km rail spur connecting to the Tshiuetin rail. LIM's existing rail spur will form part of this solution. Like LIM, TSMC has arranged for IOC to handle, ship, and market its product for the time being, until it can access the multi-user port facility. Its product will ultimately serve Tata's European steelmaking operations.

Exhibit 29 - Timmins Processing Plant and Infrastructure




Source: Corporate presentation

Exhibit 30 - DSO Project Plan and Iron Ore Deposits



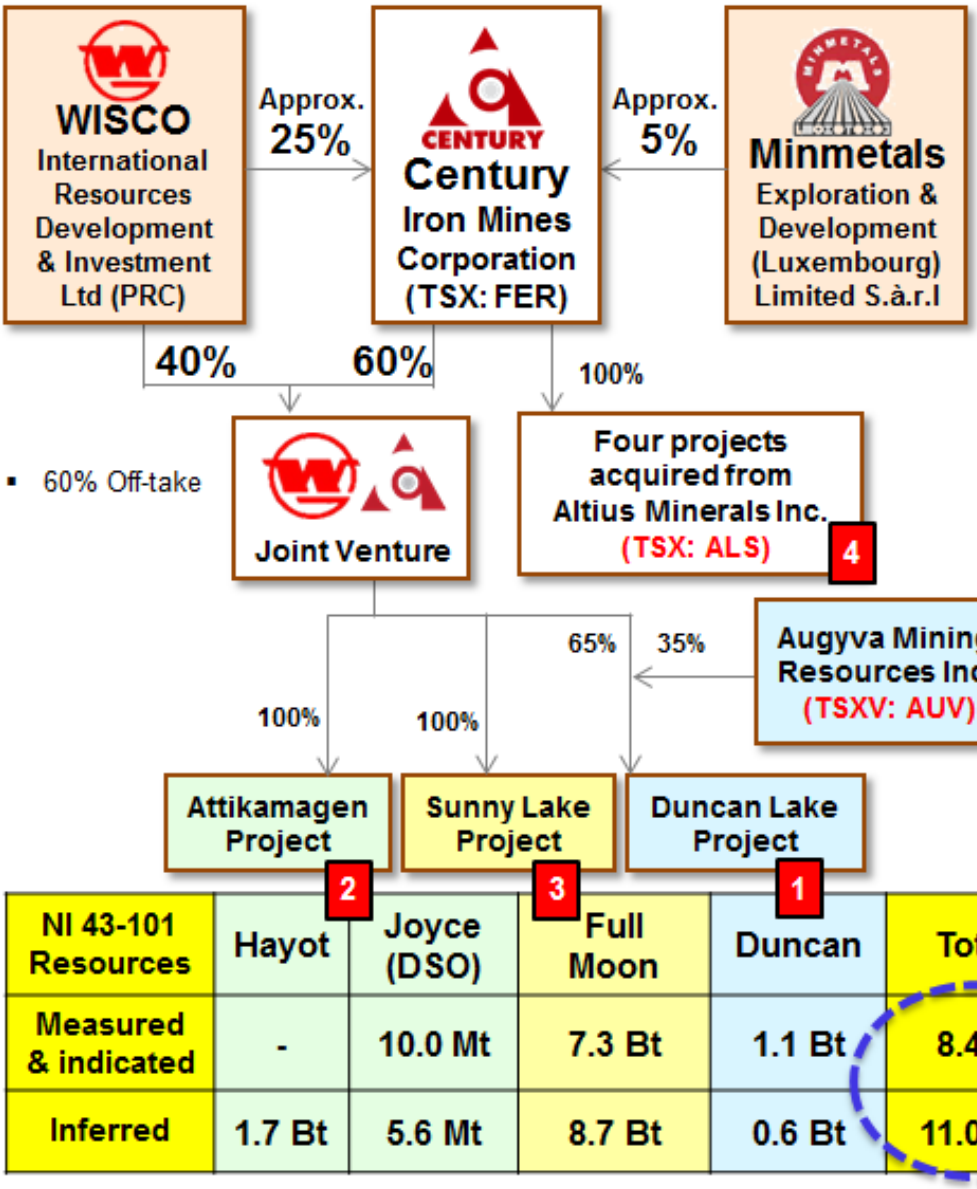

Source: DSO Project Feasibility Study 2011

Exhibit 31 - Domed Structure over Timmins Plant

Source: Corporate presentation

TSMC's project is expected to cost $560mm for the initial 4.2 Mt/yr operation, excluding equipment leases and mine closure costs over the life of the operation. The majority of the expense relates to the processing plant and dome structure, which incurred cost overruns due to various construction challenges. About $100mm relates to rail infrastructure. Operating costs have not been updated recently, but the 2011 feasibility study estimated costs of $32/t, which we view as far too low. The operation does benefit from an attractive 1x strip ratio, which should keep mining costs down. However transport costs should be similar to LIM's, and overall we expect cash costs to initially be similar to LIM's until scale and efficiencies are realised.

## Appendix A - Project Ownership Structure




| NI 43-101 Resources | Hayot | Joyce (DSO) | Full Moon | Duncan | Total |
|---|---|---|---|---|---|
| Measured & indicated | - | 10.0 Mt | 7.3 Bt | 1.1 Bt | 8.4 Bt |
| Inferred | 1.7 Bt | 5.6 Mt | 8.7 Bt | 0.6 Bt | 11.0 Bt |

Source: Company presentation

# Appendix B – Century's Taconite/Magnetite Project Profiles

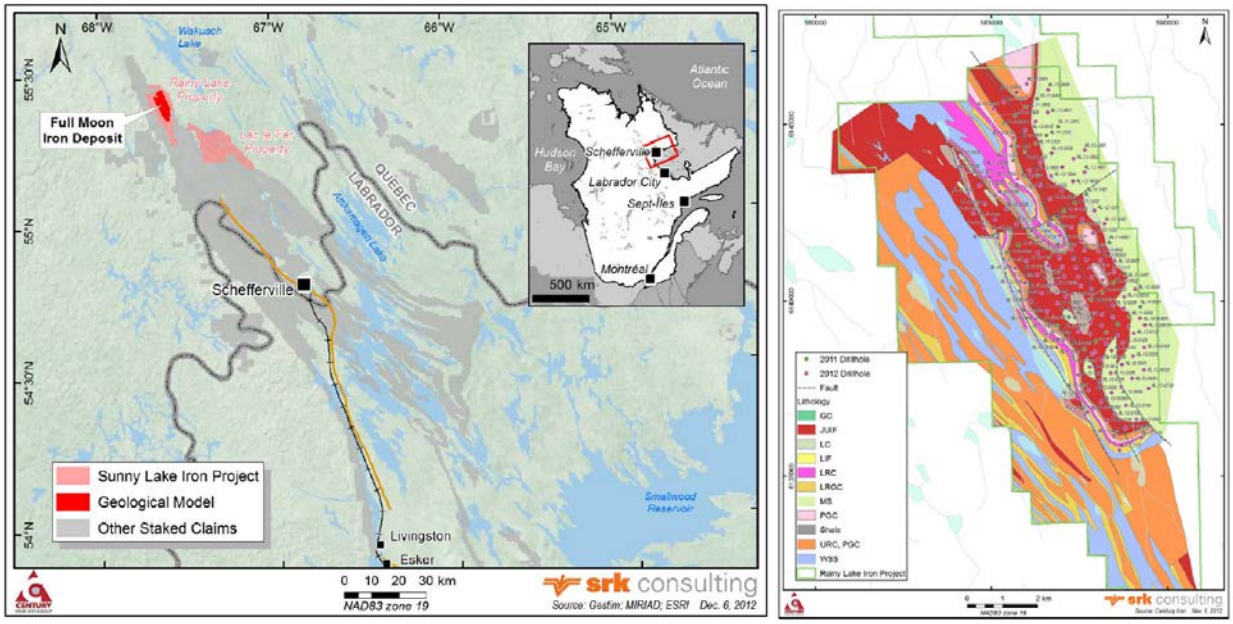
## Full Moon Taconite

The Full Moon taconite deposit is located 85km northwest of Schefferville, in the province of Quebec. The deposit is sometimes referred to as Rainy Lake, after the property it sits on. It is accessible by plane only. The deposit is part of the Sunny Lake JV, which is owned 60% by Century and 40% by WISCO.

The property was explored by Century starting in 2010, culminating in a preliminary resource calculated by SRK Consulting in 2012. The resource comprises 7.3Bt of indicated resource grading 30.18% Fe and 2.7Bt of inferred resource grading 29.86% Fe, all based on a 20% Fe cut-off. The resource stretches 11km along strike and 4km across, and is open to the north and south. SRK has recommended further infill drilling, geotechnical studies and modelling to arrive at a PEA for the project, with an estimated cost of $11.1mm for the work.

We make several observations about the Full Moon deposit:

- The taconite deposit is very large, not unlike the neighbouring deposits of New Millennium, Adriana and Cap-Ex ventures. It could therefore support an operation of +20Mt/yr over a long mine life.
- The deposit exhibits unusual thickness, often greater than 200m and up to 340m. This compares to typical thickness of 120-240m in the Sokomon Formation, and is attributed to additional folding in the region. This could have positive implications for the mining strip ratio and therefore for the economics for the project.
- SRK's technical report discusses the results of Davis Tube testing, which essentially helps to determine the effectiveness of a magnetic separation process to create an iron ore concentrate. The 2012 tests yielded a Davis Tube Weight Recovery (DTWR) of 24.24% (excluding low Fe units) at a grind size of 325 mesh (45 micron), producing a 66% Fe concentrate. The grind size is similar to what New Millennium and Adriana tested for their taconite deposits, but the DTWR is 2-3% lower at Full Moon. This could indicate a weaker process recovery, which in turn could result in higher processing costs to produce a concentrate.




Source: Full Moon Technical Report 2012

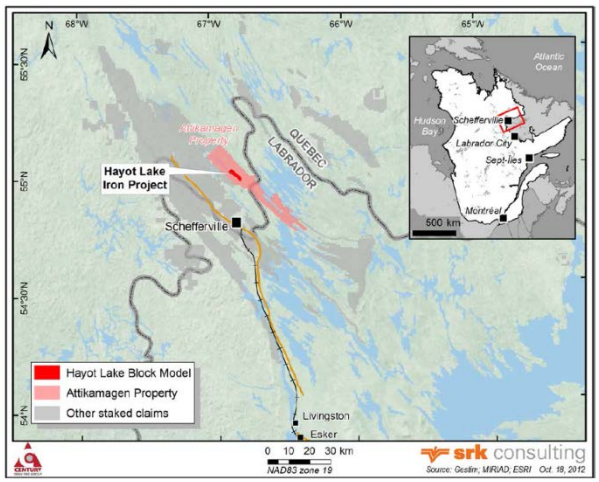
## Hayot Lake Taconite

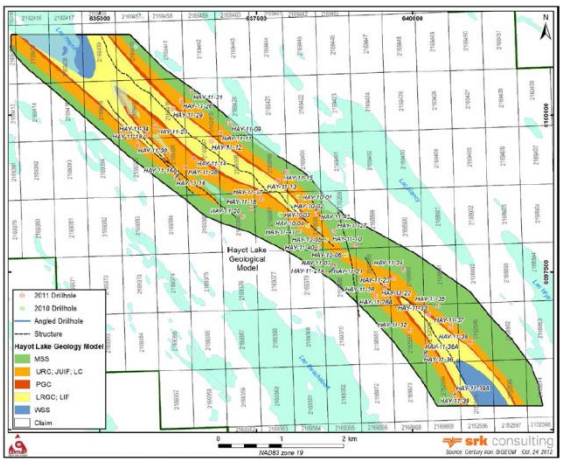
The Hayot Lake taconite deposit lies 22km north of Schefferville within the province of Quebec, and is accessible by air. The property is part of the Attikamagen JV, owned 100% by Labec Century. Labec Century is a 60/40 partnership between Century and WISCO.

The property was subject to historical exploration and drilling campaigns by Century in 2010 and 2011, leading to an initial resource defined by SRK Consulting in 2012. The inferred resource includes 1.7Bt of ore grading 31.25% Fe, with a 20% Fe cut-off. The resource area spans 7km along strike and 2km across. SRK has recommended further infill drilling, modelling and benefication testing to determine the economic viability of the project, with an estimated cost of $7mm for the work.

We make the following observations regarding the Hayot Lake deposit

- The taconite resource is large, but not very large. It is also only at the inferred resource stage. As the resource is proved-up and a pit model is optimised, it will be critical to show a resource/reserve of adequate size to support a large and long-life operation that is economically viable.
- No mineral processing or metallurgical test work has been conducted at this stage, resulting in little indication as to whether a concentrate can be produced economically. The initial studies show fairly weak magnetic susceptibility for Lean Chert and Upper Red Chert samples, which account for 41% of the resource. This could indicate weak performance in a magnetic separation process, requiring additional processing to liberate the iron, but this will need to be confirmed with further testing.




Source: Hayot Lake Technical Report 2012

## Duncan Lake Magnetite

The Duncan Lake property is situated in northwestern Quebec about 130km from the east coast of James Bay, and is isolated from Century's other projects in the Labrador Trough. The property is accessible by paved highway.

Duncan Lake houses a magnetite resource of 1,050 Mt measured and indicated, grading 24.4% Fe, plus 563 Mt inferred, grading 24.7% Fe, with a 16% Fe cut-off. The resource stretches across 6 deposits spanning 28km. Metallurgical tests reveal a deposit that is primarily magnetite ore with low levels of deleterious elements, although the sulfur content is high and could require additional treatment of any tailings to prevent acid generation.

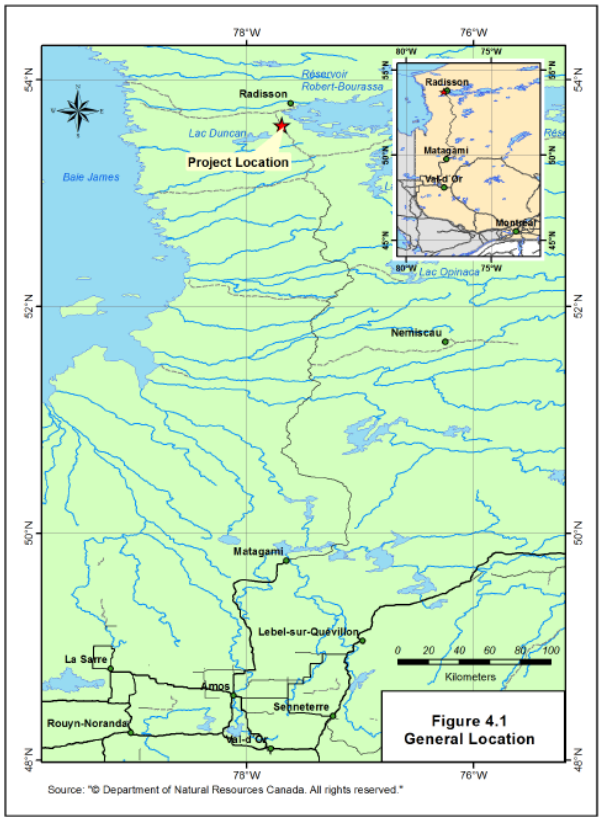
Duncan Lake was the subject of a PEA completed by Met-Chem in 2013, which outlined a plan for a pellet operation producing 12 Mt/yr over a 20-year mine life, although the resource allows for a much longer life. The mine would be a conventional open pit drill and blast operation. The ore would be concentrated at the site, and transported 135km via a slurry pipeline to a pellet plant on the coast of James Bay. There, once pelletized, the product would be stockpiled for shipping during a short 4-month window when the waterway is not frozen. Ships would be loaded using a dedicated facility built as part of the project.

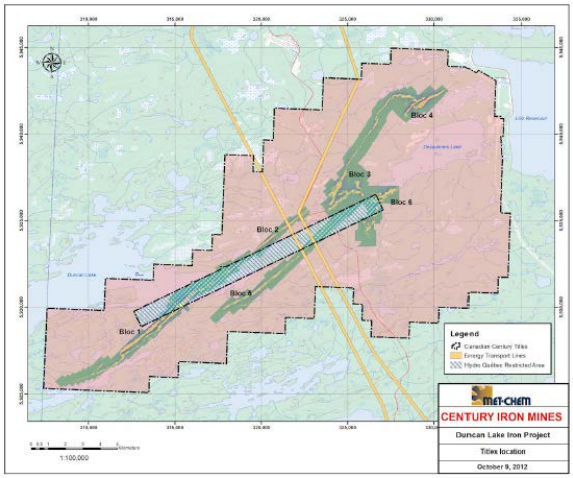
The PEA's economic analysis shows a post-tax IRR of 15.9% and a NAV of $2.2bn using an 8% discount rate. The key assumptions include initial capex of $3.9bn, operating costs of $59.17/t (FOB James Bay), and pellet pricing of $169/t (CFR China), based on a concentrate price of $125/t (CFR China). A 10% reduction in the pellet price, which we believe is a prudent adjustment, takes the IRR towards 12.5%, which in our view does not leave much room for error before the economics become unattractive.

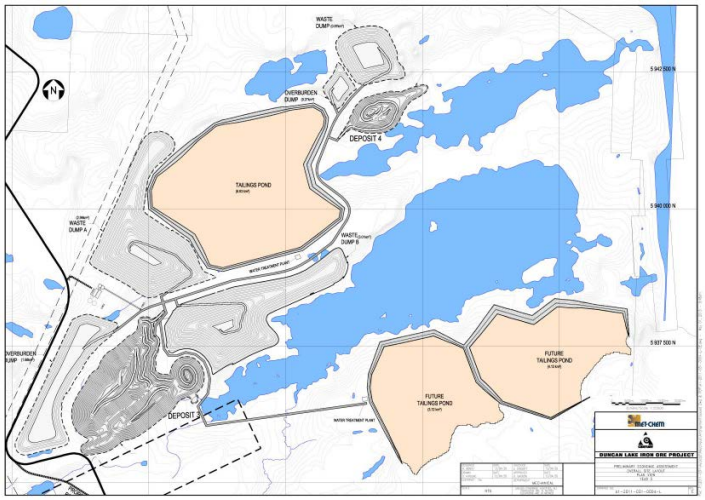
In terms of project ownership, Duncan Lake is subject to a joint venture agreement between Century and Augyva Mining Resources Inc., whereby Century may earn into 65% ownership of the project.

Century currently owns 51%, but has spent the required funds to claim a 65% stake. Century has contemplated an arrangement with WISCO similar to the Attikamagen and Sunny Lake structure, whereby WISCO contributes $40mm for 40% share of Century's project interest, but the discussions have not led to a definitive agreement. Also of note, Century has an agreement with Minmetals which entitles Minmetals to an offtake agreement for 10% of Century's share in any iron ore production from Duncan Lake.

Exhibit C3 – Duncan Lake Property and Project Plan




Source: Duncan Lake PEA, 2013

## About the Author

Wojtek Nowak is a capital markets professional with 12 years of experience including investment research and asset management. His research coverage has spanned numerous industry sectors including iron ore developers and producers. Mr. Nowak was ranked #1 sector earnings estimator and #8 overall earnings estimator in Canada by Thomson Reuters/StarMine (2012). He holds a CFA designation and an HBA degree from the Richard Ivey School of Management.

| Company Name | Trading Symbol | *Exchange | Disclosure code |
|---|---|---|---|
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