

# **Cartier Iron Corporation**

## **Condensed Interim Financial Statements**

**June 30, 2013**

**(expressed in Canadian dollars)**

**(unaudited)**

### **Management's Comments on Unaudited Condensed Interim Financial Statements**

These unaudited condensed interim financial statements of Cartier Iron Corporation. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

# Cartier Iron Corporation

## Statements of Financial Position

(expressed in Canadian dollars)

(unaudited)

	Notes	As at June 30, 2013 \$	As at December 31, 2012 \$
<b>Assets</b>			
Current			
Cash and cash equivalents		6,260	786,897
Receivables		285,342	57,179
Due from Eoro Resources Ltd.	4	71,518	-
Marketable securities	5	37,562	108,285
Prepaid expenses		215,374	164,041
		616,057	1,116,403
Exploration and evaluation	6	2,401,147	757,553
		3,017,204	1,873,956
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		905,857	199,203
Due to Champion Iron Mines Limited	7	730,000	-
Due to Eoro Resources Ltd.	4	-	43,482
		1,635,857	242,685
<b>Shareholders' equity (deficiency)</b>			
Share capital	8	4,906,953	4,906,953
Contributed surplus		27,000	18,000
Deficit		(3,552,605)	(3,293,682)
		1,381,347	1,631,271
		3,017,204	1,873,956

Approved by the Board:

John Langton  
Director

Miles Nagamatsu  
Director

# Cartier Iron Corporation

## Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

		3 months ended June 30,		6 months ended June 30,	
	Notes	2013	2012	2013	2012
		\$	\$	\$	\$
<b>Expenses</b>					
Professional fees		9,999	3,500	39,423	7,000
Consulting fees	11	-	60,000	-	120,000
Stock-based compensation		9,000	-	9,000	-
General and administrative		12,035	14,896	33,332	15,890
Investor relations		44,749	-	104,915	-
Loss on sale of marketable securities		-	7,900	3,564	7,900
Decrease in fair value of marketable securities		30,865	41,299	68,689	48,306
<b>Loss and comprehensive loss</b>		<b>106,648</b>	<b>127,595</b>	<b>258,923</b>	<b>199,096</b>
<b>Loss per common share-basic and diluted</b>		<b>0.006</b>	<b>0.024</b>	<b>0.013</b>	<b>0.037</b>
<b>Weighted average number of common basic and diluted</b>		<b>19,332,320</b>	<b>5,391,636</b>	<b>19,332,320</b>	<b>5,391,636</b>

The accompanying notes are an integral part of these financial statements.

# Cartier Iron Corporation

## Statements of Changes in Equity

(expressed in Canadian dollars)

(unaudited)

	Share capital \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance, December 31, 2012</b>	4,906,953	18,000	(3,293,682)	1,631,271
Stock-based compensation	-	9,000	-	9,000
Loss	-	-	(258,923)	(258,923)
<b>Balance, June 30, 2013</b>	4,906,953	27,000	(3,552,605)	1,381,348
<b>Balance, December 31, 2011</b>	1,666,399	18,000	(2,938,822)	(1,254,423)
Loss	-	-	(199,096)	(199,096)
<b>Balance, June 30, 2012</b>	1,666,399	18,000	(3,137,918)	(1,453,519)

# Cartier Iron Corporation

## Statements of Cash Flows

(expressed in Canadian dollars)  
(unaudited)

	6 months ended June 30,	
	2013	2012
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss	(258,923)	(199,096)
Item not affecting cash		
Stock-based compensation	9,000	0
Loss on sale of marketable securities	3,564	7,900
Decrease in fair value of marketable securities	68,689	48,306
Changes in non-cash working capital		
Receivables	(228,163)	15,974
Prepaid expenses	(51,333)	10,000
Accounts payable and accrued liabilities	(963)	119,371
	<u>(458,129)</u>	<u>2,456</u>
<b>Financing activities</b>		
Advances from Champion Iron Mines Limited	730,000	116,630
Advances to Eloro Resources Ltd.	(115,000)	-
	<u>615,000</u>	<u>116,630</u>
<b>Investing activities</b>		
Proceeds on sale of marketable securities	4,040	25,860
Purchase of marketable securities	(5,570)	(84,572)
Exploration and evaluation	(935,978)	(25,000)
	<u>(937,508)</u>	<u>(83,712)</u>
<b>Net increase (decrease) in cash</b>	(780,637)	35,374
<b>Cash, beginning of period</b>	786,897	1,165
<b>Cash, end of period</b>	<u>6,260</u>	<u>36,539</u>

# Cartier Iron Corporation

## Notes to Condensed Interim Financial Statements

### June 30, 2013

(expressed in Canadian dollars)  
(unaudited)

#### 1. Nature of operations

Cartier Iron Corporation (the "Company") is a public company engaged in the acquisition, exploration and development of mineral resource properties. The Company is incorporated under the laws of Ontario and its registered office is located at 20 Adelaide Street East, Suite 301, Toronto, Ontario, M5C 2T6.

#### 2. Going concern

The Company is in the exploration stage and has no revenue. As at June 30, 2013, the Company had a working capital deficit of \$1,019,799 (December 31, 2012 - working capital of \$873,718) and for the 6 months ended June 30, 2013, the Company incurred losses of \$258,924 (2012 - \$199,096). The working capital deficit and losses limit the Company's ability to fund operations and the acquisition, exploration and development of mineral resource properties. As a result, there is significant doubt about the Company's ability to continue as a going concern.

The continued operations of the Company is dependent upon the support of its creditors and the Company's ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of mineral resource properties. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

#### 3. Basis of presentation

##### Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these interim condensed financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended December 31, 2012, except for changes in accounting policies resulting from the adoption of new accounting standards.

These interim financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2012.

These interim financial statements were approved and authorized for issue by the Board of Directors on August 23, 2013.

##### Changes in accounting standards

On January 1, 2013, the Company adopted the following new standards, amendments to standards and interpretations which are effective for periods beginning on or after January 1, 2013:

- IFRS 10            *Consolidation*
- IFRS 11           *Joint Arrangements*
- IFRS 12           *Disclosure of Interests in Other Entities*
- IFRS 13           *Fair Value Measurement*
- IAS 27            *Separate Financial Statements*
- IAS 28            *Investments in Associates and Joint Ventures*

The adoption of these accounting standards had no impact on these financial statements.

## New standards and interpretations not yet adopted

The following amendment to standards and interpretations is effective for periods beginning on or after January 1, 2015:

### *IFRS 9, Financial Instruments ("IFRS 9")*

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is expected to have an effect on the consolidated financial statements of the Company. The Company has not determined the extent of the impact of these standards and does not plan to early adopt these new standards.

#### 4. Due from Eoro Resources Ltd.

The amount due from Eoro Resources Ltd. ("Eoro") is unsecured, non-interest bearing and payable on demand. One director of the Company is a director of Eoro.

#### 5. Marketable securities

Marketable securities consist of the following investments in related parties:

	June 30, 2013		December 31, 2012	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Eoro Resources Ltd.	154,789	25,000	156,585	72,540
Champion Iron Mines Limited ("Champion")	27,461	12,488	27,461	35,520
Bear Lake Gold Ltd. ("Bear Lake")	5,375	74	5,375	225
	187,625	37,562	189,421	108,285

One director of the Company is a director of Eoro, one director and one officer of Champion are directors of the Company and one director of the Company is a director of Bear Lake.

#### 6. Exploration and evaluation

	December 31, 2012	Acquisition costs	Exploration expenditures	June 30, 2013
	\$	\$	\$	\$
<b>Property</b>				
Borel River	284,763	5,000	79,530	369,293
Gagnon	472,791	100,000	1,459,063	2,031,854
	757,554	105,000	1,538,593	2,401,147

#### Borel River

The Company owns a 100% interest in the Borel River iron ore property ("Borel River"), which consists of 108 claims covering 4,459.14 hectares situated on the western shore of Ungava Bay in northern Quebec, subject to a 2% royalty. The Company has the right of first refusal on the sale of the royalty and has the option to reduce the royalty from 2% to 1% by making a payment of \$1,000,000.

Pursuant to the purchase agreement, the Company made a payment of \$5,000 to the vendor as the Company did not complete a listing of its common shares on a Canadian stock exchange by December 31, 2012.

## Gagnon Holdings

The Company has an option from Champion to acquire a 65% interest in Aubertin-Tougard, Aubrey-Ernie, Black Dan, Jeannine Lake, Penguin Lake, Silicate-Brutus and Three Big Lakes comprising 378 claims covering 200.24 square kilometres in the Fermont Iron Ore District in the Labrador Trough in northeastern Quebec ("Gagnon Holdings"). In order to earn its interest, the Company must make option payments, issue common shares and incur exploration expenditures, as follows:

	<b>Option payments</b> \$	<b>Common shares</b> <b>Number</b>	<b>Fair value</b> \$	<b>Exploration expenditures</b> \$
Option payment due upon conditional approval from a stock exchange for the listing of the shares of the Company and common shares due upon execution of agreement (paid and issued)	100,000	1,000,000	250,000	—
December 10, 2013	150,000	500,000	—	500,000
December 10, 2014	250,000	500,000	—	750,000
December 10, 2015	250,000	500,000	—	—
December 10, 2016	250,000	—	—	4,750,000
	<u>1,000,000</u>	<u>2,500,000</u>	<u>250,000</u>	<u>6,000,000</u>

The Company has the option to satisfy the Exploration Expenditures by (i) paying cash to Champion or the applicable governmental authorities on account of assessment work and/or taxes; or (ii) by issuing the number of common shares to Champion determined by dividing the amount by the 20 day average closing price of the common shares within 5 trading days prior to the date of issue.

Upon the Company earning its 65% interest, a joint venture will be formed to incur additional exploration expenditures. If a joint venture partner does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. The other joint venture partner will have the option to reduce the royalty from 1% to 0.5% by making a payment of \$3,000,000.

In the event that the Company or Champion proposes to acquire any property within 10 kilometres of the Gagnon Holdings, the acquirer must offer the property at cost to the other party for inclusion in the Gagnon properties.

## 7. Due to Champion

The amount due to Champion is unsecured, non-interest bearing and payable on demand.

## 8. Share capital

### Authorized

An unlimited number of Class A preferred shares 5% voting, redeemable, convertible, non-cumulative dividend, which are redeemable at \$0.10 per share and convertible on the basis of one common share for each Class A preferred share.

An unlimited number of common shares.

### Issued

	<b>Number of common shares</b>	<b>Amount</b> \$
Balance, December 31, 2012 and June 30, 2013	19,332,320	4,906,953



## Stock options

The Company may grant options to its directors, officers, employees and consultants for up to 10% of the number of common shares outstanding. Options granted vest immediately and the maximum term of each option is 5 years. The exercise price shall not be less than the closing price of the common shares on a stock exchange in Canada on the last trading day immediately preceding the date of the grant, less any discount permissible under the rules of the principal stock exchange on which the common shares are listed for trading. In the event that the common shares are not listed for trading on any stock exchange, the exercise price shall be the fair market value as determined by the Board of Directors. As at June 30, 2013, there were 1,933,232 stock options available to be issued under the stock option plan (December 31, 2012 - 1,933,232) and no stock options were outstanding.

A summary of the Company's stock options is presented below:

	Number of options	Weighted-average exercise price C\$
Balance, December 31, 2012	—	—
Granted	50,000	0.35
Balance, June 30, 2013	50,000	0.35

A summary of the Company's outstanding stock options at June 30, 2013 is presented below:

Exercise price	Expiry date	Options outstanding and exercisable
\$0.35	February 1, 2018	50,000

The weighted average remaining contractual life of outstanding stock options is 2.27 years.

A summary of the stock options granted and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

	February 1, 2013
Options granted	50,000
Exercise price	\$0.35
Share price	\$0.005
Expiry date	February 1, 2018
Fair value	\$9,000
Risk-free interest rate	1.53%
Expected volatility	100%
Expected life of options	5 years
Expected dividend yield	Nil
Forfeiture rate	Nil
Vesting	On date of grant

Expected volatility was based on historical volatility of securities of comparable companies. The weighted-average grant date fair value of stock options granted during period was \$0.18 per stock option.

## 9. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### *Cash, due from Eloro, accounts payable and accrued liabilities and due to Champion*

The fair values of cash, due from Eloro, accounts payable and accrued liabilities and due to Champion are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At June 30, 2013, the fair value of these balances approximated their carrying value due to their short term to maturity.

#### *Marketable securities*

The fair value of marketable securities is estimated based on observable inputs.

#### *Classification of fair value of financial instruments*

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1: quoted prices in active markets for identical assets and liabilities;

Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market data

Marketable securities are classified as Level 1 financial assets.

### **10. Financial risk management**

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

#### **Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash and cash equivalents. The Company's limits its exposure to credit risk on its cash and cash equivalents by holding deposits with high credit quality Canadian chartered bank.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. Accounts payable and accrued liabilities are subject to normal trade terms and the amount due to Champion is payable upon demand.

#### **Market risk**

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

#### **Equity price risk**

Equity price risk arises from the Company's marketable securities. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. The Company estimates that if the fair value of its marketable securities as at June 30, 2013 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by \$9,391.

#### **Currency risk**

Currency risk arises from the Company's financial instruments and purchases that are denominated in a currency other than the Canadian dollar, the Company's functional currency. As all of the Company's purchases are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

#### **Interest rate risk**

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

## Capital management

Capital of the Company consists of share capital, contributed surplus and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company and has no revenues, its principal source of capital is from the issue of common shares or advances from related parties. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

## 11. Related party transactions

	6 months ended 2013	June 30, 2012	Outstanding as at June 30, 2013	December 31, 2012
	\$	\$	\$	\$
<b>Exploration and evaluation</b>				
Paid to a director	7,500	—	—	—
Paid to a company, in which, a director has an ownership interest	560,323	—	105,044	—

## Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	6 months ended 2013	June 30, 2012	Outstanding as at June 30, 2013	December 31, 2012
	\$	\$	\$	\$
Consulting fees for key management personnel payable pursuant to consulting contracts to three companies controlled by three officers, two of whom were also directors	—	120,000	—	—