

Cartier Iron Corporation

Condensed Interim Financial Statements

September 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 September 30, 2013 \$	As at December 31, 2012 \$
Assets			
Current			
Cash and cash equivalents		91,696	786,897
Receivables		185,444	57,179
Due from Eoro Resources Ltd.	4	86,518	-
Marketable securities	5	25,212	108,285
Prepaid expenses		203,540	164,041
		592,411	1,116,403
Exploration and evaluation	6	2,687,604	757,553
		3,280,015	1,873,956
Liabilities			
Current			
Accounts payable and accrued liabilities		150,970	199,203
Due to Champion Iron Mines Limited	7	1,790,000	-
Due to Eoro Resources Ltd.	4	-	43,482
		1,940,970	242,685
Shareholders' equity			
Share capital	8	4,906,953	4,906,953
Contributed surplus		27,000	18,000
Deficit		(3,594,908)	(3,293,682)
		1,339,045	1,631,271
		3,280,015	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)

	Notes	3 months ended September 30,		9 months ended September 30,	
		2013 \$	2012 \$	2013 \$	2012 \$
Expenses					
Professional fees		5,780	3,500	45,203	10,500
Consulting fees	11	-	36,000	-	156,000
Stock-based compensation		-	-	9,000	-
General and administrative		6,755	4,281	40,087	20,171
Investor relations		17,417	-	122,332	-
Loss on sale of marketable securities		-	-	3,564	7,900
Decrease in fair value of marketable securities		12,350	42,360	81,039	90,666
Loss and comprehensive loss		42,302	86,141	301,225	285,237
Loss per common share-basic and diluted		0.002	0.014	0.016	0.050
Weighted average number of common basic and diluted		19,332,320	6,376,419	19,332,320	5,722,293

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 \$
Balance, December 31, 2012	4,906,953	18,000	(3,293,682)	1,631,271
Stock-based compensation	-	9,000	-	9,000
Loss	-	-	(301,225)	(301,225)
Balance, September 30, 2013	4,906,953	27,000	(3,594,908)	1,339,045
Balance, December 31, 2011	1,666,399	18,000	(2,938,822)	(1,254,423)
Private placement of common shares				
Issued	471,000	-	-	471,000
To be issued	-	99,500	-	99,500
Share issue costs	(38,355)	-	-	(38,355)
Acquisition of exploration and evaluation	100,000	-	-	100,000
Loss	-	-	(285,237)	(285,237)
Balance, September 30, 2012	2,199,044	117,500	(3,224,059)	(907,515)

Cartier Iron Corporation

Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	9 months ended September 30,	
	2013	2012
	\$	\$
Cash provided by (used in)		
Operating activities		
Loss	(301,225)	(285,237)
Item not affecting cash		
Stock-based compensation	9,000	-
Loss on sale of marketable securities	3,564	7,900
Decrease in fair value of marketable securities	81,039	90,666
Changes in non-cash working capital		
Receivables	(128,265)	7,741
Prepaid expenses	(39,499)	10,000
Accounts payable and accrued liabilities	(35,420)	203,143
	<u>(410,807)</u>	<u>34,213</u>
Financing activities		
Private placement of common shares		
Issued	-	471,000
To be issued	-	99,500
Share issue costs	-	(38,355)
Advances from Champion Iron Mines Limited	1,790,000	141,630
Advances to Eloro Resources Ltd.	(130,000)	-
	<u>1,660,000</u>	<u>673,775</u>
Investing activities		
Proceeds on sale of marketable securities	4,040	25,860
Purchase of marketable securities	(5,570)	(84,572)
Exploration and evaluation	(1,942,865)	(206,430)
	<u>(1,944,395)</u>	<u>(265,142)</u>
Net increase (decrease) in cash	(695,202)	442,846
Cash, beginning of period	786,897	1,165
Cash, end of period	<u>91,696</u>	<u>444,011</u>

Cartier Iron Corporation

Notes to Condensed Interim Financial Statements

September 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 September 30, 2013, the Company had a working capital deficit of \$1,348,559 (December 31, 2012 - working capital of \$873,718) and for the 9 months ended September 30, 2013, the Company incurred losses of \$301,225 (2012 - \$285,237). 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 November 29, 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:

	September 30, 2013		December 31, 2012	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Eoro Resources Ltd.	154,789	12,500	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	225	5,375	225
	187,625	25,213	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	September 30, 2013
	\$	\$	\$	\$
Property				
Borel River	284,763	5,000	85,121	374,884
Gagnon	472,791	100,000	1,739,929	2,312,720
	757,554	105,000	1,825,050	2,687,604

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-Tougaard, 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:

	Option payments \$	Common shares Number	Fair value \$	Exploration expenditures \$
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

	Number of common shares	Amount \$
Balance, December 31, 2012 and September 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 September 30, 2013, there were 1,933,232 stock options available to be issued under the stock option plan (December 31, 2012 - 1,933,232).

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, September 30, 2013	50,000	0.35

A summary of the Company's outstanding stock options at September 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 4.34 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 September 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 September 30, 2013 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by \$6,300.

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

	9 months ended 2013	September 30, 2012	September 30, 2013	Outstanding as at December 31, 2012
	\$	\$	\$	\$
Exploration and evaluation				
Paid to a director	12,750	—	—	—
Paid to a company, in which, a director has an ownership interest	723,984	—	21,528	—

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:

	9 months ended 2013	September 30, 2012	September 30, 2013	Outstanding as at 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	—	156,000	—	—