

# **Cartier Iron Corporation**

## **Condensed Interim Financial Statements**

**March 31, 2014**

**(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 March 31	
		2014	2013
		\$	\$
<b>Assets</b>			
Current			
Cash		27,693	126,844
Receivables		122,061	108,006
Due from Eloro Resources Ltd.	4	238,018	143,018
Marketable securities	5	56,040	52,875
Prepaid expenses		159,719	162,958
		<u>603,531</u>	<u>593,701</u>
Exploration and evaluation	6	2,945,501	2,795,487
		<u>3,549,032</u>	<u>3,389,188</u>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		140,166	143,608
Due to Champion Iron Mines Limited	7	2,086,049	1,906,049
		<u>2,226,215</u>	<u>2,049,657</u>
<b>Shareholders' equity</b>			
Share capital	8	4,906,953	4,906,953
Contributed surplus		27,000	27,000
Deficit		<u>(3,611,136)</u>	<u>(3,594,422)</u>
		<u>1,322,817</u>	<u>1,339,532</u>
		<u>3,549,032</u>	<u>3,389,189</u>

Approved by the Board:

John Langton  
Director

Miles Nagamatsu  
Director

# Cartier Iron Corporation

## Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	<b>3 months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Professional fees	5,118	29,424
General and administrative	8,011	21,298
Investor relations	6,750	60,166
Loss on sale of marketable securities	-	3,564
Decrease (increase) in fair value of marketable securities	(3,165)	37,824
<b>Loss and comprehensive loss</b>	<b>16,714</b>	<b>152,276</b>
<b>Loss per common share-basic and diluted</b>	<b>0.001</b>	<b>0.008</b>
<b>Weighted average number of common basic and diluted</b>	<b>19,332,320</b>	<b>19,332,320</b>

# Cartier Iron Corporation

## Statements of Changes in Equity

(expressed in Canadian dollars)

(unaudited)

	Share capital \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance, December 31, 2013</b>	4,906,953	27,000	(3,594,422)	1,339,531
Loss	-	-	(16,714)	(16,714)
<b>Balance, March 31, 2014</b>	4,906,953	27,000	(3,611,136)	1,322,817
<b>Balance, December 31, 2012</b>	4,906,953	18,000	(3,293,682)	1,631,271
Loss	-	-	(152,276)	(152,276)
<b>Balance, March 31, 2013</b>	4,906,953	18,000	(3,445,958)	1,478,995

# Cartier Iron Corporation

## Statements of Cash Flows

(expressed in Canadian dollars)

(unaudited)

	3 months ended March 31,	
	2014	2013
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss	(16,714)	(152,276)
Item not affecting cash		
Loss on sale of marketable securities	-	3,564
Decrease (increase) in fair value of marketable securities	(3,165)	37,824
Changes in non-cash working capital		
Receivables	(14,055)	(93,095)
Prepaid expenses	3,239	(54,834)
Accounts payable and accrued liabilities	(59,966)	216,151
	<u>(90,660)</u>	<u>(42,666)</u>
<b>Financing activities</b>		
Advances from Champion Iron Mines Limited	180,000	75,000
Advances from (to) Eloro Resources Ltd.	(95,000)	50,000
	<u>85,000</u>	<u>125,000</u>
<b>Investing activities</b>		
Proceeds on sale of marketable securities	-	4,040
Purchase of marketable securities	-	(5,570)
Option payment	-	(100,000)
Exploration and evaluation	(93,492)	(734,813)
	<u>(93,492)</u>	<u>(836,343)</u>
<b>Net increase (decrease) in cash</b>	(99,152)	(754,009)
<b>Cash, beginning of period</b>	126,844	786,897
<b>Cash, end of period</b>	<u>27,693</u>	<u>32,888</u>

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

# **Cartier Iron Corporation**

## **Notes to Condensed Interim Financial Statements**

### **March 31, 2014**

(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 March 31, 2014, the Company had a working capital deficit of \$1,622,684 (December 31, 2013 - \$1,455,956) and for the 3 months ended March 31, 2014, the Company incurred losses of \$16,714 (2013 - \$152,276). 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, 2013.

These interim condensed 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, 2013.

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on May 30, 2014.

##### **New standards and interpretations not yet adopted**

The effective date of the following amendment to standards and interpretations is to be determined:

##### *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.

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:

	March 31, 2014		December 31, 2013	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Eoro Resources Ltd.	154,789	37,500	154,789	37,500
Champion Iron Mines Limited ("Champion")	27,461	18,315	27,461	15,263
Bear Lake Gold Ltd. ("Bear Lake")	5,375	225	5,375	112
	187,625	56,040	187,625	52,875

One director of the Company is a director of Eoro, one director and one officer of Champion are directors of the Company and up to May 22, 2014, one director of the Company was a director of Bear Lake.

#### 6. Exploration and evaluation

	December 31, 2013	Exploration expenditures	March 31, 2014
	\$	\$	\$
<b>Property</b>			
Borel River	379,884	2,152	382,036
Gagnon	2,415,602	147,862	2,563,464
	2,795,486	150,014	2,945,500

##### 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.

##### 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 649 claims covering 343.69 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 (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
	1,000,000	2,500,000	250,000	6,000,000

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.

The Company has not made the option payment or issued the common shares due on December 31, 2013. The Company is currently in discussions with Champion to resolve this matter.

#### 7. Due to Champion

Of the amount due to Champion, \$100,000 is unsecured, bears interest at the rate of LIBOR plus 2% and is due on September 13, 2014. The remaining 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, 2013 and March 31, 2014	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 March 31, 2014, there were 1,883,232 stock options available to be issued under the stock option plan (December 31, 2013 – 1,883,232).



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

	Number of options	Weighted-average exercise price C\$
Balance, December 31, 2013 and March 31, 2014	50,000	0.35

A summary of the Company's outstanding stock options at December 31, 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 3.8 years.

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

The fair values of cash and cash equivalents, accounts payable and accrued liabilities, due from Eloro 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 March 31, 2014, 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 and due from Eloro. 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 Eloro 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 March 31, 2014 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by \$14,010.

**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**

	3 months ended March 31,		Outstanding as at	
	2014	2013	March 31, 2014	December 31, 2013
	\$	\$	\$	\$
<b>Exploration and evaluation</b>				
Paid to a director	5,000	—	—	—
Paid to a company, in which, a director has an ownership interest	74,462	—	65,613	19,190

**Compensation of key management personnel**

The Company considers its directors and officers to be key management personnel. There were no transactions with key management personnel during the period.