Cartier Iron Corporation

Condensed Interim Financial Statements

June 30, 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 June 30, 2014 $	As at December 31, 2013 $
Assets			
Current			
Cash		54,343	126,844
Receivables		278,361	108,006
Due from Eloro Resources Ltd.	4	238,018	143,018
Marketable securities	5	40,223	52,875
Prepaid expenses		6,479	162,958
		617,424	593,701
Exploration and evaluation	6	2,998,775	2,795,487
		3,616,199	3,389,188
Liabilities			
Current			
Accounts payable and accrued liabilities		240,430	143,608
Due to Champion Iron Mines Limited	7	2,100,000	1,906,049
		2,340,430	2,049,657
Shareholders' equity			
Share capital	8	4,906,953	4,906,953
Contributed surplus		27,000	27,000
Deficit		(3,658,184)	(3,594,422)
		1,275,769	1,339,532
		3,616,199	3,389,189

Approved by the Board:

John Langton
Director

Miles Nagamatsu
Director

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

Cartier Iron Corporation
Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

	3 months ended June 30,		6 months ended June 30,	
	2014	2013	2014	2013
	$	$	$	$
Expenses				
Professional fees	10,908	9,999	16,026	39,423
Stock-based compensation	-	9,000	-	9,000
General and adminstrative	13,573	12,035	21,583	33,332
Investor relations	6,750	44,749	13,500	104,915
Loss on sale of marketable securities	-	-	-	3,564
Decrease (increase) in fair value of marketable securities	15,817	30,865	12,652	68,689
Loss and comprehensive loss	47,048	106,648	63,762	258,923
Loss per common share-basic and diluted	0.002	0.006	0.003	0.013
Weighted average number of common basic and diluted	19,332,320	19,332,320	19,332,320	19,332,320

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, 2013	4,906,953	27,000	(3,594,422)	1,339,531
Loss	-	-	(63,762)	(63,762)
Balance, June 30, 2014	4,906,953	27,000	(3,658,184)	1,275,769
Balance, December 31, 2012	4,906,953	18,000	(3,293,682)	1,631,271
Stock-based compensation	-	9,000	-	9,000
Loss	-	-	(258,923)	(258,923)
Balance, June 30, 2013	4,906,953	27,000	(3,552,605)	1,381,348

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

Cartier Iron Corporation
Statements of Cash Flows
(expressed in Canadian dollars)
(unaudited)

	6 months ended June 30, 2014 $	2013 $
Cash provided by (used in)		
Operating activities		
Loss	(63,762)	(258,923)
Item not affecting cash		
Stock-based compensation	-	9,000
Loss on sale of marketable securities	-	3,564
Decrease (increase) in fair value of marketable securities	12,652	68,689
Changes in non-cash working capital		
Receivables	(170,356)	(228,163)
Prepaid expenses	156,479	(51,333)
Accounts payable and accrued liabilities	(54,998)	(963)
	(119,984)	(458,129)
Financing activities		
Advances from Champion Iron Mines Limited	193,951	730,000
Advances from (to) Eloro Resources Ltd.	(95,000)	(115,000)
	98,951	615,000
Investing activities		
Proceeds on sale of marketable securities	-	4,040
Purchase of marketable securities	-	(5,570)
Exploration and evaluation	(51,469)	(935,978)
	(51,469)	(937,508)
Net increase (decrease) in cash	(72,502)	(780,637)
Cash, beginning of period	126,844	786,897
Cash, end of period	54,343	6,260

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

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 200, Toronto, Ontario, M5C 2T6.

2. Going concern

The Company is in the exploration stage and has no revenue. As at June 30, 2014, the Company had a working capital deficit of $1,723,005 (December 31, 2013 - $1,455,956) and for the 6 months ended June 30, 2014, the Company incurred losses of $63,762 (2013 - $258,923). 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 August 29, 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. Receivables

The Company files a Québec Corporation Income Tax Return claiming a refundable tax credit on eligible exploration expenditures incurred in Québec ("Refundable Tax Credits") and a Québec Mining Duties Return claiming a credit on duties refundable for losses ("Credit on Duties"). It is the Company's policy to record an estimate of amounts to be received for unassessed claims for Refundable Tax Credits and Credits on Duties as a receivable and a reduction to exploration and evaluation assets when there is reasonable assurance that the Company has complied with all conditions needed to obtain the credits. The amount of the unassessed claims are subject to audit by Revenu Québec and Ressources naturelles et Faune Québec.

	In respect of years ended December 31,		
	2013	**2012**	**Total**
Refundable Tax Credits			
As filed	639,693	131,617	771,310
As assessed	–	118,485	118,485
Received	–	–	–
Receivable at June 30, 2014	–	118,485	118,485
Credit on Duties			
As filed	103,052	19,554	122,606
As assessed	–	–	–
Received	–	–	–
Receivable at June 30, 2014	–	–	–

5. Due from Eloro Resources Ltd.

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

6. Marketable securities

Marketable securities consist of the following investments in related parties:

	June 30, 2014		December 31, 2013	
	Cost	**Fair value**	**Cost**	**Fair value**
	$	**$**	**$**	**$**
Eloro Resources Ltd. ("Eloro")	154,789	25,000	154,789	37,500
Champion Iron Limited ("Champion")	27,461	14,855	27,461	15,263
Kerr Mines Inc. ("Kerr")	5,375	368	5,375	112
	187,625	40,223	187,625	52,875

Up to June 30, 2014, one director of the Company was a director of Eloro. Two officers of Champion Iron Limited, of which Champion is a wholly-owned subsidiary, are directors of the Company and up to May 22, 2014, one director of the Company was a director of Kerr.

7. Exploration and evaluation

	December 31, 2013 $	Exploration expenditures $	Mining tax credits $	June 30, 2014 $
Property				
Borel River	412,043	2,152	(48,288)	365,907
Gagnon	2,383,444	319,621	(70,197)	2,632,868
	2,795,486	321,773	(118,485)	2,998,775

Borel River
The Company owns a 100% interest in 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 Round Lake (formerly Penguin Lake, Aubrey-Ernie and Black Dan), Aubertin-Tougard, Jeannine 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.

8. 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.

On June 18, 2014, the Champion agreed to convert the following amounts into the Company's common shares: (a) $1,050,000, subject to the Company closing a private placement in the minimum amount of $500,000 ("Private Placement") and (b) the amount, by which, proceeds of the Private Placement exceeds $1,050,000. In both cases, the conversion price will be equal to the lowest subscription price paid for the Private Placement.

Following the closing of the Private Placement, the remainder of the amount due to Champion will be converted to a demand loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due 6 months after Champion demands repayment (the "Demand Loan"). Champion will have the right to convert the Demand Loan plus accrued but unpaid interest into the Company's common shares at a conversion price equal to the lowest subscription price per Cartier common share paid for the most recent capital raising undertaken by the Company at the time of the conversion, subject to the minimum pricing rules and stock exchange approval.

9. 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 June 30, 2014	19,332,320	4,906,953

On June 30, 2014, the Company announced its intention to complete a Private Placement of up to 7,500,000 units at a price of $0.20 per unit for gross proceeds of up to $1,500,000. Each unit will consist of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share for $0.40 for 18 months following the closing date of the Private Placement. If the average closing price of the common shares on the Canadian Securities Exchange is greater than $0.50 per share for 20 consecutive business days, the warrants must be exercised within 10 business days (or such longer period as the Company may provide) after the Company gives notice by press release and mail to each warrantholder, failing which, the warrants will expire.

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, 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 June 30, 2014	50,000	0.35

A summary of the Company's outstanding stock options at June 30, 2014 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 3.6 years.

10. 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 June 30, 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.

11. 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 is 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 it 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, 2014 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by $10,056.

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 it 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.

12. Related party transactions

	6 months ended June 30,		Outstanding as at	
	2014	**2013**	**June 30, 2014**	**December 31, 2013**
	$	**$**	**$**	**$**
Exploration and evaluation				
Paid to a former director	5,000	7,500	–	–
Paid to a company, in which, a director has an ownership interest	142,178	560,323	105,044	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.