Cartier Iron Corporation

Condensed Interim Financial Statements

June 30, 2015
(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, 2015 $	As at December 31, 2014 $
Assets			
Current			
Cash	14	756,028	953,702
Receivables	4	141,393	703,697
Due from Eloro Resources Ltd.	6	-	238,019
Marketable securities	5	4,476	19,907
Prepaid expenses		46,499	26,824
		948,396	1,942,149
Investment in associate	6	407,118	-
Exploration and evaluation	7	3,121,801	2,945,160
		4,477,315	4,887,309
Liabilities			
Current			
Accounts payable and accrued liabilities		381,250	231,976
Due to Champion Iron Mines Limited	8	1,069,508	1,056,563
Unrenounced flow-through share premium		191,361	259,199
		1,642,119	1,547,739
Shareholders' equity			
Share capital	9	6,594,064	6,594,064
Contributed surplus	9	27,000	27,000
Warrants	9	563,000	563,000
Deficit		(4,348,868)	(3,844,494)
		2,835,196	3,339,570
		4,477,315	4,887,309
Going concern	2		
Commitments	7 and 14		

Approved by the Board:

Thomas G. Larsen
Director

Francis Sauve
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)

	Notes	3 months ended June 30, 2015 $	3 months ended June 30, 2014 $	6 months ended June 30, 2015 $	6 months ended June 30, 2014 $
Expenses					
Professional fees		7,841	10,908	14,574	16,026
Consulting fees		90,000	-	180,000	-
General and adminstrative		47,407	13,573	101,007	21,583
Investor relations		35,465	6,750	81,850	13,500
Travel		8,705	-	21,137	-
Interest		6,202	-	12,945	-
Part XII.6 tax		1,635	-	2,889	-
Gain on sale of marketable securities		-	-	(86)	-
Increase in fair value of marketable securities		1,221	15,817	(247,622)	12,652
Impairment of exploration and evaluation	7	311,637	-	311,637	-
		510,112	47,048	478,331	63,761
Loss before share of net loss of an associate		(510,112)	(47,048)	(478,331)	(63,761)
Share of net loss of an associate	6	60,508	-	93,882	-
Loss before income taxes		(570,620)	(47,048)	(572,213)	(63,761)
Deferred income tax recovery	10	67,838	-	67,838	-
Loss and comprehensive loss		(502,782)	(47,048)	(504,375)	(63,761)
Loss per common share-basic and diluted		(0.015)	(0.002)	(0.015)	(0.003)
Weighted average number of common basic and diluted		33,344,150	19,332,320	33,344,150	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 $	Warrants $	Deficit $	Total $
Balance, December 31, 2014	6,594,064	27,000	563,000	(3,844,494)	3,339,569
Loss	-	-	-	(504,375)	(504,375)
Balance, June 30, 2015	6,594,064	27,000	563,000	(4,348,868)	2,835,195
Balance, December 31, 2013	4,906,953	27,000	-	(3,594,422)	1,339,531
Loss	-	-	-	(63,761)	(63,761)
Balance, June 30, 2014	4,906,953	27,000	-	(3,658,183)	1,275,770

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, 2015 $	2014 $
Cash provided by (used in)		
Operating activities		
Loss	(504,375)	(63,761)
Item not affecting cash		
Interest not paid	12,945	-
Gain on sale of marketable securities	(86)	-
Increase in fair value of marketable securities	(247,622)	12,652
Impairment of exploration and evaluation	311,637	
Share of net loss of an associate	93,882	-
Deferred income tax recovery	(67,838)	-
Changes in non-cash working capital		
Receivables	562,305	(170,356)
Prepaid expenses	(19,675)	156,479
Accounts payable and accrued liabilities	120,103	(54,998)
	261,276	(119,984)
Financing activities		
Advances from Champion Iron Mines Limited	-	193,951
Advances to Eloro Resources Ltd.	-	(95,000)
	-	98,951
Investing activities		
Proceeds on sale of marketable securities	138	-
Exploration and evaluation	(459,088)	(51,469)
	(458,950)	(51,469)
Net decrease in cash	(197,674)	(72,502)
Cash, beginning of period	953,702	126,844
Cash, end of period	756,028	54,342

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, 2015, the Company had a working capital deficit of $693,994 (December 31, 2014 - working capital of $394,411) and for the 6 months ended June 30, 2015, the Company incurred losses of $193,009 (2014 - $63,761). 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, 2014.

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, 2014.

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on August 31, 2015.

New standards and interpretations not yet adopted

The following amendment to standards will be effective for periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments ("IFRS 9")

This standard will replace *IAS 39, Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules In IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortized cost unless the fair value option is applied. In February 2014 the IASB set January 1, 2018 as the effective date for mandatory application of IFRS 9.

The Company has not determined the extent of the impact of IFRS 9 on its financial statements.

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, 2014	2013
Refundable Tax Credits		
As filed	177,164	639,693
As assessed	–	613,898
Received	–	613,898
Included in receivables at June 30, 2015	–	–
Credit on Duties		
As filed	30,254	103,052
As assessed	–	–
Received	–	–
Included in receivables at June 30, 2015	–	–

5. Marketable securities

Marketable securities consist of the following investments in related parties:

	June 30, 2015		December 31, 2014	
	Fair value	Cost	Fair value	Cost
	$	$	$	$
Eloro Resources Ltd. (see note 6)	–	–	13,750	154,789
Champion Iron Limited	4,476	27,461	6,105	27,461
Kerr Mines Inc.	–	–	52	5,375
	4,476	27,461	19,907	187,625

One director of the Company is a director of Champion Iron Limited.

6. Investment in associate

On January 27, 2015, the Company converted the balance of $238,000 due from Eloro into 4,760,000 Eloro common shares at a deemed value of $0.05 per share. Following the conversion, Cartier holds 5,010,000 Eloro common shares, representing 37% of the outstanding Eloro common shares. The Company has significant influence over Eloro and accounts for its investment in Eloro as an investment in an associate using the equity method. Two directors of the Company are directors of Eloro.

	$
Fair value of Eloro common shares received on conversion of receivable due from Eloro	238,000
Unrealized gain on investment in Eloro at January 27, 2015	263,000
Fair value as at January 27, 2015	501,000
Share of net loss	(93,882)
Balance at June 30, 2015	407,118

7. Exploration and evaluation

	December 31, 2014 $	Acquisition costs $	Exploration expenditures $	Writedown $	June 30, 2015 $
Property					
Borel River	306,644	–	4,993	(311,637)	–
Gagnon	2,638,516	250,000	233,285	–	3,121,801
	2,945,160	250,000	238,278	(311,637)	3,121,801

Borel River
On August 15, 2015, the Company abandoned Borel River, and accordingly, effective June 30, 2015, the Company recorded an impairment loss of $311,637 to write off Borel River.

Gagnon
The Company had an option from Champion Iron Mines Limited ("Champion"), a wholly-owned subsidiary of Champion Iron Limited, to acquire a 65% interest in Round Lake (formerly known as Penguin Lake, Black Dan and Aubrey-Ernie), Aubertin-Tougard, Jeannine Lake, Silicate-Brutus and Big Three Lakes in the Fermont Iron Ore District in the Labrador Trough in northeastern Quebec ("Gagnon").

On January 18, 2015, the Company abandoned 227 claims covering 109.03 square kilometres of Round Lake. On April 15, 2015, the Company abandoned 90 claims covering 49.68 square kilometres comprising the remaining claims of Silicate-Brutus, Aubertin-Tougard and Big Three Lakes. On August 27, 2015, the Company abandoned 13 claims covering 6.88 square kilometres of Round Lake.

Subsequent to the abandonments, the Company has an option to earn a 65% interest in Round Lake and Jeannine Lake, collectively, comprising 310 claims covering 164.11 square kilometres.

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 (paid, issued and incurred)	150,000	500,000	97,500	500,000
December 10, 2014 (issued and incurred)	–	500,000	97,500	750,000
Due on the date that the Company receives its Refundable Tax Credit for the year ended December 31, 2013 (paid)	250,000	–	–	–
December 10, 2015	250,000	500,000	–	–
December 10, 2016	250,000	–	–	4,750,000
	1,000,000	2,500,000	445,000	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.

8. Due to Champion

The amount due to Champion is 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 has the right to convert the Demand Loan plus accrued but unpaid interest into common shares of the Company at a conversion price equal to the lowest subscription price per 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.

Relationship with Champion

As at June 30, 2015, Champion holds 11,019,971 common shares of the Company, representing approximately 33% of the outstanding common shares of the Company. The holdings of Champion in the Company are subject to the terms of a pre-emptive rights agreement and an agreement respecting board representation rights and standstill obligations entered into on December 10, 2012.

Until December 31, 2017, Champion shall not sell common shares without the prior written consent of the Company, and thereafter, Champion shall not sell more than 2,000,000 common shares during any 30-day period.

Until December 31, 2017, provided that Champion owns at least 10% of the outstanding common shares of the Company:

a) The Company shall take all commercially reasonable steps to have a nominee of Champion elected as a director ("Champion Nominee") the board of directors of the Company ("Board").
b) Champion shall not vote against any shareholder resolution recommended by the Board, except in the event that the Champion Nominee dissented when the Board approved a shareholder resolution that proposes to: (i) reduce the voting or dividend rights of the common shares; (ii) issue shares which carry a number of votes proportionately greater than the capital to be represented thereby or which carry dividend rights at a rate which would substantially impair the dividends ordinarily payable on the common shares; and (iii) approve a transaction with an arm's length third party, which must be passed by at least two-thirds of the votes cast and in respect of which a shareholder has dissent rights.
c) Champion shall not vote in favour of the election of nominees to the Board who are not proposed by the then Board.
d) Champion shall not (i) participate in a take-over bid for any securities of the Company; (ii) solicit proxies from any shareholder or attempt to influence the voting by any shareholders other than in support of initiatives recommended by the Board or (iii) seek to influence or control the management, Board or the policies or affairs of Company; or (iv) make any public or private announcement or disclosure with respect to the foregoing.

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, 2014 and June 30, 2015	33,334,150	6,655,264

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, 2015, there were 3,333,415 stock options available to be issued under the stock option plan (December 31, 2014 - 3,333,415).

There were no stock options outstanding at December 31, 2014 and June 30, 2015. See note 15 for subsequent event.

Warrants
A summary of the Company's warrants is presented below:

	Weighted-average exercise price	Number of warrants
Balance, December 31, 2014 and June 30, 2015	0.26	6,661,683

Exercise price	Expiry date	Number of warrants
$0.22	April 17, 2016	4,558,821
$0.22	June 29, 2016	158,868
$0.35	June 29, 2016	1,943,994
		6,661,683

The weighted average remaining contractual life of outstanding warrants is 1.1 years.

10. Deferred income tax recovery
During the year ended December 31, 2014, the Company issued $809,997 of flow-through common shares pursuant to the Income Tax Act (Canada). The deductions for income tax purposes of the related expenditures were renounced to the subscribers of the flow-through shares. As the renouncement was prospective, a flow-through share premium of $259,199 representing the income tax benefits the expenditures renounced by the Company to the subscribers, was recorded in the statement of financial position as a reduction of share capital and an increase to other liabilities. During the 6 months ended June 30, 2015, flow-through expenditures of $211,995 were incurred reducing other liabilities by $67,838 which was recorded as a deferred income tax recovery.

11. 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, accounts payable and accrued liabilities and due to Champion
The fair values of cash and cash equivalents, 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, 2015, 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.

12. 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, 2015 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by $1,424.

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.

13. Related party transactions

	6 months ended 2015 $	June 30, 2014 $	Outstanding as at June 30, 2015 $	December 31, 2014 $
Exploration and evaluation				
Paid to a director	–	5,000	–	–
Paid to a company, in which, a director has an ownership interest	85,353	142,178	51,075	42,050

Additional related party transactions are disclosed in notes 5, 6, 7, and 8. These transactions were in the normal course of business.

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 2015 $	June 30, 2014 $	Outstanding at June 30, 2015 $	December 31 2014 $
Consulting fees for key management personnel	180,000	–	188,000	–

14. Commitment

Flow-through expenditures

Pursuant to a flow-through financing completed on December 29, 2014, the Company is committed to make eligible Canadian Exploration Expenditures of $598,000 by December 31, 2015.

15. Subsequent event

On July 9, 2015, the Company granted 3,025,000 stock options to directors, officers and a consultant, entitling the holder to purchase one common share for $0.10 until July 9, 2020.