Cartier Iron Corporation

Condensed Interim Financial Statements

March 31, 2017
(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, 2017 $	As at December 31, 2016 $
Assets			
Current			
Cash		135,749	132,683
Receivables	4	13,344	11,566
Marketable securities	5	5,100	2,350
Prepaid expenses		28,370	18,180
		182,563	164,778
Investment in associate	6	529,166	533,242
		711,729	698,020
Liabilities			
Current			
Accounts payable and accrued liabilities		748,125	695,492
Due to Champion Iron Mines Limited	8	348,004	346,268
		1,096,129	1,041,760
Shareholders' equity (deficiency)			
Share capital	9	7,289,334	7,290,564
Contributed surplus	9	240,000	240,000
Deficit		(7,913,734)	(7,874,303)
		(384,401)	(343,740)
		711,729	698,021

Going concern 2

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 March 31, 2017 $	3 months ended March 31, 2016 $
Expenses			
Professional fees		5,096	5,000
Consulting fees	12	90,000	90,000
Stock-based compensation		-	63,280
General and administrative		23,942	19,295
Investor relations		13,293	7,735
Travel		-	7,945
Interest	8	1,736	-
Increase in fair value of marketable securities		(2,750)	(1,424)
Refundable tax credit and mining tax credit		(103,752)	-
Other recoveries		(2,711)	-
Impairment of exploration and evaluation	7	10,500	21,945
		35,355	213,776
Loss before share of loss of an associate		(35,355)	(213,776)
Share of loss of an associate, net of dilution gains	6	(4,076)	(34,487)
Loss and comprehensive loss		(39,431)	(248,263)
Loss per common share-basic and diluted		(0.001)	(0.007)
Weighted average number of common basic and diluted		35,572,721	33,844,150

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, 2016	7,290,564	240,000	563,000	(7,874,303)	219,260
Share issue costs	(1,230)	-	-	-	(1,230)
Income	-	-	-	(39,431)	(39,431)
Balance, March 31, 2017	7,289,334	240,000	563,000	(7,913,734)	178,599
Balance, December 31, 2015	6,606,564	240,000	563,000	(8,678,588)	(1,269,024)
Loss	-	-	-	(248,263)	(248,263)
Balance, March 31, 2016	6,606,564	240,000	563,000	(8,926,851)	(1,517,287)

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

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

	3 months ended March 31, 2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Loss	(39,431)	(248,263)
Items not affecting cash		
Interest not paid	1,736	7,945
Increase in fair value of marketable securities	(2,750)	(1,424)
Impairment of exploration and evaluation	10,500	21,945
Share of loss of an associate, net of dilution gains	4,076	34,487
Changes in non-cash working capital		
Receivables	(1,778)	(13,246)
Prepaid expenses	(10,191)	15,395
Accounts payable and accrued liabilities	52,634	78,958
	14,796	(104,203)
Financing activities		
Share issue costs	(1,230)	-
Investing activities		
Exploration and evaluation	(10,500)	(23,640)
Net decrease in cash	3,066	(127,843)
Cash, beginning of period	132,683	193,925
Cash, end of period	135,749	66,082

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 March 31, 2017, the Company had a working capital deficit of $913,566 (December 31, 2016 - $876,983) and for the 3 months ended March 31, 2017, the Company incurred losses of $47,810 (2016 - $248,263) and cashflow from operations of $14,796 (2016 - negative cashflow from operations of $104,203). 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 operation 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, 2016.

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, 2016.

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on May •, 2017.

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

The following new standard will be effective for periods beginning on or after January 1, 2019:

IFRS 16, Leases ("IFRS 16")
This standard will replace *IAS 17, Leases*. IFRS 16 provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged from IAS 17. The Company has not determined the extent of the impact of IFRS 16 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 is subject to audit by Revenu Québec and Ressources naturelles et Faune Québec.

	In respect of years ended December 31,		
	2015	**2014**	**2013**
Refundable Tax Credits			
As filed	251,079	177,164	639,693
As assessed	251,079	177,248	613,898
Received	(251,079)	(177,248)	(613,898)
Included in receivables at March 31, 2017	–	–	–
Credit on Duties			
As filed	71,699	30,254	103,052
As assessed	–	23,977	79,775
Received during the period	–	(23,977)	(79,775)
Included in receivables at March 31, 2017	–	–	–

5. Marketable securities

Marketable securities consist of the following investment in a related party:

	March 31, 2017		December 31, 2016	
	Fair value	**Cost**	**Fair value**	**Cost**
	$	**$**	**$**	**$**
Champion Iron Limited	5,100	3,373	2,350	3,373

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

6. Investment in associate

As at March 31, 2017, the Company held 3,043,500 common shares of Eloro Resources Ltd. ("Eloro")(December 31, 2016 - 3,043,500), representing 9.8% (December 31, 2016 - 10.2%) of the outstanding Eloro common shares. Although the Company holds less than 20% of the voting rights of Eloro, the Company has significant influence in Eloro as two directors of the Company are also directors of Eloro. Accordingly, the Company continues to account for its investment in Eloro as an investment in associate.

	Number of Eloro common shares held	**$**
Balance at December 31, 2016	3,043,500	533,242
Dilution gain	–	6,008
Share of loss	–	(10,084)
Balance at March 31, 2017	3,043,500	529,166

The following is a summary of Eloro's balance sheet and reconciliation to carrying amounts as at March 31, 2017:

	$
Assets	
Cash	2,799
Other current assets	404,429
	407,228
Exploration and evaluation	5,096,181
	5,503,409
Liabilities and shareholders' equity	
Current liabilities	571,744
Shareholders' equity	4,931,666
	5,503,409

Reconciliation to carrying amount:

Share percentage ownership of Eloro	9.8%

	$
Company's share of net assets of Eloro	483,303
Difference between the Company's share of net assets of Eloro and carrying value	(45,863)
Carrying value of investment in Eloro	529,166

The following is a summary of the statement of income of Eloro for the year ended March 31, 2017:

	$
Expenses	
Expenses	816,461
Unrealized gain on marketable securities	(270,602)
Gain on assignment of royalty	(116,314)
Writedown of exploration and evaluation	13,135
	442,679
Income and comprehensive income	(442,679)

At March 31, 2017, the investment in Eloro had a fair value of $2,191,320.

7. Exploration and evaluation

	December 31, 2016 $	Exploration expenditures $	Impairment $	March 31, 2017 $
Property				
Gagnon	–	10,500	(10,500)	–

Gagnon

The Company has an option from Champion Iron Mines Limited ("Champion"), a wholly-owned subsidiary of Champion Iron Limited, to acquire a 55% 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"). In order to earn a 55% interest, the Company must:

a) make option payments, issue common shares and incur exploration expenditures, as follows:

	Option payments $	Common shares Number	Fair value $	Exploration expenditures $
Upon execution of agreement (issued)	–	1,000,000	250,000	–
Upon conditional approval from a stock exchange for the listing of the common shares of Cartier (paid)	100,000	–	–	–
December 10, 2013 (paid, issued and incurred)	150,000	500,000	80,000	500,000
December 10, 2014 (issued and incurred)	–	500,000	80,000	750,000
Extended from December 10, 2014 to the date that Cartier received its refundable tax credit on eligible expenditures incurred in Québec for the year ended December 31, 2013 (paid)	250,000	–	–	–
December 10, 2015 (paid and issued)	50,000	500,000	12,500	–
December 10, 2016 (incurred)	–	–	–	1,800,000
December 31, 2017	450,000	–	–	–
	1,000,000	2,500,000	422,500	3,050,000

b) repay the Term Loan.

The Company has issued the common shares and incurred exploration expenditures required by the option agreement and in order to earn its 55% interest, the Company must make the remaining option payment of $450,000 due on December 31, 2017 and repay the Term Loan due on December 31, 2017.

Upon the Company earning its 55% 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 Gagnon, the acquirer must offer the property at cost to the other party for inclusion in Gagnon.

As December 31, 2016 and March 31, 2017, facts and circumstances suggested that the carrying amount of Gagnon may exceed its recoverable amount. As required by International Financial Reporting Standard 6, *Exploration for and Evaluation of Mineral Resources* ("IFRS 6"), the Company assessed Gagnon for impairment. The Company concluded that there were a number of indicators of impairment, and accordingly, recorded impairment losses of $80,578 at December 31, 2016 and $10,500 at March 31, 2017 to write off Gagnon.

The Company has incurred the following cumulative exploration and evaluation expenditures on Gagnon:

	$
Balance, December 31, 2016	3,492,255
Exploration expenditures	10,500
Refundable tax credit	(103,752)
Balance, March 31, 2017	3,399,003

8. Due to Champion

The amount due to Champion is a term loan, which is unsecured, bears interest at the rate of LIBOR plus 2% and is due on December 31, 2017 ("Term Loan"). Champion has the right to convert the Term Loan, plus accrued but unpaid interest, into Cartier 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 Cartier at the time of the conversion, subject to the minimum pricing rules and stock exchange approval.

For the 3 months ended March 31, 2017, the Company recorded interest of $1,736 (2016 - $7,945) in respect of the Term Loan.

Relationship with Champion
As at March 31, 2017, Champion held 11,519,971 common shares of the Company (December 31, 2016 - 11,519,971), representing 32.4% (December 31, 2016 - 34%) 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, 2016 and March 31, 2017	35,572,721	7,290,564

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, 2017, there were 3,557,272 stock options (December 31, 2016 - 3,557,272) authorized to be issued under the stock option plan, of which, 3,025,000 stock options (December 31, 2016 - 3,025,000) were outstanding.

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

	Weighted-average exercise price $	Number of stock options outstanding and exercisable
Balance, December 31, 2016 and March 31, 2017	0.10	3,025,000

Exercise price	Expiry date	Number of stock options outstanding and exercisable
$0.10	July 9, 2020	3,025,000

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, accounts payable and accrued liabilities and due to Champion
The fair values of cash, accounts payable and accrued liabilities and due to Champion at March 31, 2017 approximated their respective 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 due from Eloro. The Company’s limits its exposure to credit risk on its cash 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, other than amounts owing to related parties. Accounts payable and accrued liabilities are subject to normal trade terms and a $450,000 option payment and the Term Loan due to Champion are due on December 31, 2017.

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, 2017 had changed by 25%, with all other variables held constant, the income would have increased or decreased by $1,275.

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 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

	3 months ended March 31,			Outstanding at
	2017	**2016**	**March 31, 2017**	**December 31, 2016**
	$	**$**	**$**	**$**
Exploration and evaluation				
Paid or payable to a company, of which, a director is a shareholder	–	8,587	37,527	37,527

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:

	3 months ended March 31,			Outstanding at
	2017	**2016**	**March 31, 2017**	**December 31, 2016**
	$	**$**	**$**	**$**
Consulting fees	90,000	90,000	630,850	566,325

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