Cartier Iron Corporation

Condensed Interim Financial Statements

March 31, 2018
(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, 2018 $	As at December 31, 2017 $
Assets			
Current			
Cash		144,791	481,636
Receivables	4	30,917	30,538
Marketable securities	5	25,850	30,994
Prepaid expenses		30,800	18,179
		232,358	561,347
Investment in associate	6	372,638	370,383
Exploration and evaluation	7	325,870	177,518
		930,866	1,109,248
Liabilities			
Current			
Accounts payable and accrued liabilities	15	1,015,495	1,035,518
Due to Eloro Resources Ltd.	8	87,475	88,168
Unrenounced flow-through share premium	10	24,727	43,092
		1,127,697	1,166,778
Shareholders' equity (deficiency)			
Share capital	9	8,056,577	8,056,577
Contributed surplus	9	240,000	240,000
Warrants	9	335,000	335,000
Deficit		(8,828,408)	(8,689,107)
		(196,832)	(57,530)
		930,866	1,109,248

Going concern 2
Subsequent event 15

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, 2018 $	2017 $
Expenses			
Professional fees		7,000	5,096
Consulting fees	13	77,000	90,000
General and administrative		47,994	23,942
Investor relations		16,905	13,293
Interest		-	1,736
Decrease (increase) in fair value of marketable securities		5,144	(2,750)
Impairment of exploration and evaluation	7	5,395	10,500
Refundable tax credit and mining tax credit		-	(103,752)
Part XII.6 tax		345	-
Other recoveries		139	(2,711)
		159,921	35,355
Loss before gain (loss) on investment of an associate		(159,921)	(35,355)
Dilution gain on change in interest in associate	6	19,759	6,008
Share of loss of an associate	6	(17,504)	(10,084)
Income before income taxes		(157,666)	(39,431)
Deferred income taxes	10	18,365	-
Loss and comprehensive loss		(139,301)	(39,431)
Income per common share-basic and diluted		(0.003)	(0.001)
Weighted average number of common basic and diluted		47,222,721	35,572,721

Cartier Iron Corporation
Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

	Share capital $	Contributed surplus $	Warrants $	Deficit $	Total $
Balance, December 31, 2017	8,056,577	240,000	-	(8,689,107)	(392,530)
Loss	-	-	-	(139,301)	(139,301)
Balance, March 31, 2017	8,056,577	240,000	-	(8,828,408)	(531,830)
Balance, December 31, 2016	7,290,564	240,000	563,000	(7,874,303)	219,260
Share issue costs	(1,230)	-	-	-	(1,230)
Loss	-	-	-	(39,431)	(39,431)
Balance, March 31, 2018	7,289,334	240,000	563,000	(7,913,734)	178,599

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, 2018 $	2017 $
Cash provided by (used in)		
Operating activities		
Loss	(139,301)	(39,431)
Items not affecting cash		
Interest not paid	-	1,736
Increase in fair value of marketable securities	5,144	(2,750)
Impairment of exploration and evaluation	5,395	10,500
Dilution gain on change in interest in associate	(19,759)	(6,008)
Share of loss of an associate	17,504	10,084
Deferred income tax recovery	(18,365)	-
Changes in non-cash working capital		
Receivables	(379)	(1,778)
Prepaid expenses	(12,621)	(10,191)
Accounts payable and accrued liabilities	(20,023)	52,634
	(182,405)	14,796
Financing activities		
Advances from Eloro Resources Ltd.	(694)	-
Share issue costs	-	(1,230)
	(694)	(1,230)
Investing activities		
Exploration and evaluation	(153,746)	(10,500)
Net increase (decrease) in cash	(336,844)	3,066
Cash, beginning of period	481,636	132,683
Cash, end of period	144,791	135,749
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

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, 2018, the Company had a working capital deficit of $895,339 (December 31, 2017 - $605,431) and for the 3 months ended March 31, 2018, the Company incurred losses of $139,301 (2017 - $39,431) and cashflow deficit from operations of $182,405 (2017 – cashflow surplus of $14,796). The working capital deficit, losses and cashflow deficit 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 advances from related parties and equity financings 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 advances and equity financing, however, there can be no assurance that additional 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, 2017.

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, 2017.

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on May 30, 2018.

Changes in accounting standards

On January 1, 2018, the Company adopted the following amendment to standards:

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 adoption of this accounting standard had no impact on these financial statements.

New standards and interpretations not yet adopted
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 returns filed for years ended December 31,	
	2016	**2015**
	$	**$**
Refundable Tax Credits		
As filed	22,476	251,079
As assessed	–	251,079
Received	–	(251,079)
Included in receivables at March 31, 2018		–
Credit on Duties		
As filed	4,641	71,699
As assessed	–	–
Received during the period	–	–
Included in receivables at March 31, 2018	–	–

5. Marketable securities

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

	March 31, 2018		**December 31, 2017**	
	Fair value	**Cost**	**Fair value**	**Cost**
	$	**$**	**$**	**$**
Champion Iron Limited	5,850	3,373	6,400	3,373
Tartisan Resources Corp.	20,000	15,000	24,594	15,000
	25,850	18,373	30,994	18,373

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

6. Investment in associate

As at March 31, 2018, the Company held 2,543,500 Eloro common shares (December 31, 2017 - 2,543,500) with a fair value of $2,212,845 (December 31, 2017 - $2,696,110), representing 7.46% of the outstanding Eloro common shares (December 31, 2017 - 7.72%). The Company continues to account for its investment in Eloro as an investment in associate. Although the Company holds less than 20% of the voting rights of Eloro, the Company continues have significant influence in Eloro as three directors of the Company are also directors of Eloro.

	Number of Eloro common shares held	$
Balance at December 31, 2017	2,543,500	370,383
Dilution gain	—	19,759
Share of loss	—	(17,504)
Balance at March 31, 2018	2,543,500	372,638

The following is a summary of Eloro's balance sheet and reconciliation to carrying amounts as at March 31, 2018:

	$
Assets	
Cash	435,385
Due from the Company	96,719
Other current assets	664,120
	1,196,224
Exploration and evaluation	4,156,545
	5,352,769
Liabilities and shareholders' equity	
Current liabilities	1,065,525
Shareholders' equity	4,429,837
	5,495,362

Reconciliation to carrying amount:

Share percentage ownership of Eloro	7.46%

	$
Company's share of net assets of Eloro	399,317
Difference between the Company's share of net assets of Eloro and carrying value	(47,544)
Carrying value of investment in Eloro	446,861

The following is a summary of the statement of income of Eloro for the year ended March 31, 2018:

	$
Expenses	
Expenses	917,445
Unrealized loss on marketable securities	78,932
Writedown of exploration and evaluation	100,729
	1,097,106
Loss	(1,097,106)
Other comprehensive income	4,498
Comprehensive loss	(1,092,608)

7. Exploration and evaluation

	December 31, 2017 $	Acquisition costs $	Exploration expenditures $	Writedowns $	March 31, 2018 $
Property					
Gagnon	—	—	5,395	(5,395)	—
Big Easy	177,518	7,358	140,994	—	325,870
	177,518	7,358	146,389	—	325,870

Gagnon, Quebec
The Company owns a 55% interest in Round Lake (formerly known as Penguin Lake, Black Dan and Aubrey-Ernie) and Jeannine, consisting of 199 claims covering 105.38 square kilometres in the Fermont Iron Ore District in the Labrador Trough in northeastern Québec ("Gagnon").

A joint venture was formed between the Company and Champion 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 a joint venture partner 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 at March 31, 2018, 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 an impairment of exploration and evaluation of $5,395.

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

	$
Balance, December 31, 2017	3,861,605
Expenditures	5,395
Balance, March 31, 2018	3,867,000

As at March 31, 2018, Champion held 11,519,971 common shares of the Company (December 31, 2017 - 11,519,971), representing 24.4% of the outstanding common shares of the Company (December 31, 2017 - 24.4%). Pursuant to a standstill agreement, Champion may not sell or transfer more than 2,000,000 common shares during any 30-day period.

One director of the Company is a director of Champion Iron Limited, the parent company of Champion.

Big Easy, Newfoundland and Labrador
The Company owns a 100% interest in Big Easy consisting of 467 mining claims (December 31, 2017 - 278) covering 116.8 square kilometres (December 31, 2017 - 69.5) located in Newfoundland and Labrador.

Pursuant to the definitive agreement, in order to complete the acquisition of Big Easy, the Company must issue common shares and incur exploration expenditures, as follows:

	Common shares	Exploration expenditures $
Upon signing of definitive agreement (issued)	500,000	–
November 21, 2018	500,000	500,000
November 21, 2019	500,000	800,000
November 21, 2020	1,000,000	1,200,000
	2,500,000	2,500,000

The Company agreed to issue 100,000 common shares as a finder's fee, of which, 50,000 common shares with a fair value of $4,500 have been issued and 50,000 common shares will be issued upon completion of the acquisition.

In the event that the Company does not issue common shares or incur exploration expenditures, the definitive agreement will terminate and the Company will transfer the mining licences and claims to the vendor.

The property was subject to a 3% net smelter royalty ("NSR"). On November 21, 2017, the Company exercised an option to reduce the NSR from 3% to 2% by electing to make a payment of $200,000, as follows:

Due date	**$**
November 21, 2017 (paid)	25,000
December 31, 2017 (paid)	25,000
November 21, 2018	75,000
November 21, 2019	75,000

The Company also has options to further reduce the NSR by:

(a) 0.25% until November 21, 2021 by making a payment of $250,000; and
(b) a further 0.25% until November 21, 2022 by making a payment of $250,000.

In the event that the Company wishes to sell any or all of the property prior to November 21, 2020, the Company must obtain the permission of the vendor.

With respect to the common shares to be issued to the vendor:

a) the vendor will not grant a security interest in the common shares;
b) the vendor has the right to sell tranches of less than 300,000 common shares;
c) until November 21, 2021, the Company has a right of first refusal in the event that the vendor receives a third party offer to acquire any tranche of more than 300,000 common shares; and
d) until November 21, 2021, the vendor shall not vote or encourage anyone else to vote against any resolution put before the shareholders of the Company upon the recommendation of the Board of Directors
e) until November 21, 2021, the vendor shall not vote or encourage anyone else to vote in favour of:
   (i) the election of board nominees that have not been proposed by the then Board of Directors, or
   (ii) any shareholder resolution or proposal unless the Board of Directors recommends voting in favour of such shareholder resolution or proposal.

8. Due to Eloro Resources Ltd.
The amount due to Eloro is unsecured, non-interest bearing and payable on demand. Three directors of the Company are directors of Eloro.

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	**$**
Balance, December 31, 2017 and March 31, 2018	47,222,721	8,056,577

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, 2018, there were 4,722,272 stock options (December 31, 2017 - 4,722,272) authorized to be issued under the stock option plan, of which, 3,025,000 stock options (December 31, 2017 - 3,025,000) were outstanding.

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

	Expiry date	Weighted-average exercise price	Number of stock options outstanding and exercisable
Balance, December 31, 2017 and March 31, 2018	July 9, 2020	0.10	3,025,000

See note 14 for subsequent event.

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

	Weighted-average exercise price	Number of warrants
Balance, December 31, 2017 and March 31, 2018	0.21	5,780,467

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

Exercise price	Expiry date	Number of warrants
$0.20	June 6, 2019	4,178,500
$0.25	June 6, 2019	1,601,967
		5,780,467

The weighted average remaining contractual life of the outstanding warrants is 0.98 years.

10. Deferred income tax recovery

During the year ended December 31, 2017, the Company issued $360,000 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 $48,000 representing the income tax benefits the expenditures renounced by the Company to the subscribers, was recorded in the statement of financial position as an increase to unrenounced flow-through share premium and a reduction of share capital. During the 3 months ended March 31, 2018, flow-through expenditures of $137,738 were incurred reducing unrenounced flow-through share premium by $18,365 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 Eloro
The fair values of cash, accounts payable and accrued liabilities and due to Eloro 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.

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 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 the amount due to Eloro.

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, 2018 had changed by 25%, with all other variables held constant, the income would have increased or decreased by $6,463.

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, warrants 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 issuance 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

	3 months ended March 31, 2018 $	2017 $	March 31, 2018 $	Outstanding at December 31, 2017 $
Exploration and evaluation				
Payable to a company, of which, a director is a shareholder	560	–	38,171	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, 2018 $	2017 $	March 31, 2018	Outstanding at December 31, 2017 $
Consulting fees	78,000	90,000	855,629	823,129

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

See note 14 for subsequent event.

14. Commitments

Flow-through expenditures
Pursuant to a flow-through financing completed on December 6, 2017, the Company is committed to make eligible Canadian Exploration Expenditures of $185,000 by December 31, 2018.

15. Subsequent events

Grant of stock options
On April 10, 2018, the Company granted 200,000 stock options to a consultant, entitling the holder to purchase one common share for $0.15 until April 10, 2023.

Proposed settlement of accounts payable to related parties
The Company proposes to settle unpaid management fees of $848,849 (“Debt”) owed to current and former officers or companies controlled by them (“Related Parties”) as at March 31, 2018 through a combination of debt forgiveness and the issue of common shares. It is proposed that the Related Parties would forgive $511,349 and subject to the receipt of all necessary shareholder and regulatory approvals, the Company would issue 2,700,000 common shares at a deemed price of $0.125 per common share in settlement of the remaining debt of $337,500.