

Cartier Resources Inc.

(an exploration company)

Interim condensed financial statements
(Unaudited)

Second quarter ended June 30, 2012

The interim condensed financial statements for the period ended June 30, 2012 have not been reviewed by the Company's external auditors.

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Financial Position

(In Canadian \$)

	<u>June 30, 2012</u> (Unaudited) \$	<u>December 31, 2011</u> (Audited) \$
Assets		
Current assets		
Cash and cash equivalents (note 2)	2,639,682	3,263,143
Cash reserved for exploration (note 2)	172,620	2,031,040
Other short-term financial assets (note 3)	260,000	400,000
Receivables (note 4)	682,344	675,719
Prepaid expenses	51,326	10,574
	<u>3,805,972</u>	<u>6,380,476</u>
PROPERTY, PLANT AND EQUIPMENT (note 5)	109,829	91,261
MINING PROPERTIES (note 7)	1,365,669	1,155,633
DEFERRED EXPLORATION COSTS (note 8)	7,942,394	6,077,212
TOTAL ASSETS	<u>13,223,864</u>	<u>13,704,582</u>
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities	608,933	446,319
Liability related to flow-through shares (note 9)	41,193	484,680
	<u>650,126</u>	<u>930,999</u>
DEFERRED INCOME AND MINING TAXES	2,325,095	1,608,475
TOTAL LIABILITIES	<u>2,975,221</u>	<u>2,539,474</u>
EQUITY		
Share capital (note 9)	13,433,410	13,329,910
Warrants	1,897,777	1,897,777
Contributed surplus	911,150	872,362
Deficit	(5,993,694)	(4,934,941)
TOTAL EQUITY	<u>10,248,643</u>	<u>11,165,108</u>
TOTAL LIABILITIES AND EQUITY	<u>13,223,864</u>	<u>13,704,582</u>

Going concern (note 1)

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

Approved on behalf of the Board of Directors

(Signed) Philippe Cloutier, Director

(Signed) Daniel Massé, Director

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Deferred Exploration Costs

(Unaudited)

(In Canadian \$)

	Three-month period ended		Six-month period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	\$	\$	\$	\$
Balance - Beginning of period	6,753,053	5,155,330	6,077,212	4,699,484
Expenses incurred during the period				
Geology	422,055	167,679	541,920	244,169
Geophysics	127,500	46,517	323,518	111,079
Drilling	507,364	405,122	712,450	665,540
Stripping	(1,634)	101,496	(1,634)	102,767
Exploration office expenses	11,749	21,758	40,486	30,065
Geochemistry	77,240	40,382	164,884	57,236
Geotechnics	-	37,015	3,850	37,015
Core shack rental and maintenance	17,451	12,333	41,475	18,668
Duties, taxes and permits	17,544	10,573	25,185	13,281
Depreciation of exploration equipment	5,403	1,708	8,379	4,806
Loss on disposal of leasehold improvements	-	-	-	14,583
Share-based compensation-employees	4,669	222	4,669	1,442
Net expenses during the period	1,189,341	844,805	1,865,182	1,300,651
Tax credits	-	(2,289)	-	(2,289)
Balance - End of period	7,942,394	5,997,846	7,942,394	5,997,846

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

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of changes in Equity

(Unaudited)

(In Canadian \$)

	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Total equity \$
BALANCE AS AT DECEMBER 31, 2011	13,329,910	1,897,777	872,362	(4,934,941)	11,165,108
Issue of shares and warrants	103,500	-	-	-	103,500
Effect of share-based compensation	-	-	38,788	-	38,788
Effect of exercise of stock options	-	-	-	-	-
Effect of exercise of warrants	-	-	-	-	-
Comprehensive loss for the period	-	-	-	(1,058,753)	(1,058,753)
	103,500	-	38,788	(1,058,753)	(916,465)
BALANCE AS AT JUNE 30, 2012	13,433,410	1,897,777	911,150	(5,993,694)	10,248,643

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

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of changes in Equity

(Unaudited)

(In Canadian \$)

	Share capital \$	Share capital to be issued \$	Warrants \$	Contributed surplus \$	Deficit \$	Total equity \$
BALANCE AS AT DECEMBER 31, 2010	9,835,097	341,248	1,955,148	662,641	(3,167,877)	9,626,257
Issue of shares and warrants	-	(341,248)	64,304	-	-	(276,944)
Effect of share-based compensation	-	-	-	-	-	-
Effect of exercise of stock options	66,439	-	-	(27,639)	-	38,800
Effect of exercise of warrants	1,254,743	-	-	(177,646)	-	1,077,097
Comprehensive loss for the period	-	-	-	-	(466,669)	(466,669)
	1,321,182	(341,248)	64,304	(205,285)	(466,669)	372,284
BALANCE AS AT JUNE 30, 2011	11,156,279	-	2,019,452	457,356	(3,634,546)	9,998,541

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

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of net loss

(In Canadian \$)

	Three-month period ended		Six-month period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	\$	\$	\$	\$
Administrative expenses				
Salaries	64,976	68,025	144,207	118,294
Consultants	56,163	43,161	99,704	73,847
Share-based compensation-employees	24,197	42,645	34,119	62,861
Professional fees	43,425	24,770	75,042	29,865
Rent	6,274	9,013	12,546	10,663
Business development	30,506	35,558	113,416	109,120
Insurance, taxes and permits	3,214	3,473	9,259	8,032
Interest and bank charges	1,007	672	1,999	1,415
Depreciation of property, plant and equipment	1,939	996	3,877	1,143
Stationery and office expenses	6,387	17,881	20,652	26,104
Telecommunications	1,969	1,713	3,807	5,473
Training and travel	13,304	12,572	28,324	21,951
Advertising	12,074	11,668	26,286	13,868
Shareholder's information	29,488	17,388	48,112	31,596
Part XII.6 tax related to flow-through shares	1,614	900	4,081	2,471
	296,537	290,435	625,431	516,703
Other expenses (income)				
Other exploration costs	13,062	-	38,547	-
Management income	-	(2,601)	-	(11,390)
Interest income	(8,729)	(9,227)	(18,358)	(19,338)
LOSS BEFORE DEFERRED INCOME AND MINING TAXES	(300,870)	(278,607)	(645,620)	(485,975)
Deferred income and mining taxes	172,882	36,701	273,133	(19,306)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(473,752)	(315,308)	(918,753)	(466,669)
LOSS PER SHARE				
basic	(0.01)	(0.01)	(0.02)	(0.01)
diluted	(0.01)	(0.01)	(0.02)	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	49,976,981	40,602,006	49,723,685	40,102,697
DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	50,011,518	41,753,999	49,845,866	41,433,938

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

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Comprehensive Loss

(In Canadian \$)

	Three-month period ended		Six-month period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	\$	\$	\$	\$
Net loss and comprehensive loss for the period	(473,752)	(315,308)	(918,753)	(466,669)
Other comprehensive loss :				
Unrealized loss on fair value of other short-term financial assets	(200,000)	-	(140,000)	-
Comprehensive loss for the period	(673,752)	(315,308)	(1,058,753)	(466,669)

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

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Cash Flows

(In Canadian \$)

	Three-month period ended		Six-month period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Loss before deferred income and mining taxes for the period	(300,870)	(278,607)	(645,620)	(485,975)
Adjustments for:				
Depreciation of property, plant and equipment	1,939	996	3,877	1,143
Share-based compensation	24,197	42,645	34,119	62,861
	(274,734)	(234,966)	(607,624)	(421,971)
Net change in non-cash working capital items				
Receivables	6,853	56,659	(6,625)	5,661
Prepaid expenses	(9,487)	(10,060)	(40,752)	1,569
Accounts payables and accrued liabilities	(122,993)	79,822	(50,212)	144,694
Cash flow used in operating activities	(400,361)	(108,545)	(705,213)	(270,047)
FINANCING ACTIVITIES				
Issuance of shares and warrants	-	656,330	-	735,848
Exercise of stock options	-	28,000	-	38,800
Share issue expenses	-	-	(42,973)	-
Cash flow used in (from) financing activities	-	684,330	(42,973)	774,648
INVESTING ACTIVITIES				
Cash reserved for exploration	1,177,936	804,467	1,858,420	1,260,000
Acquisition of property, plant and equipment	(30,824)	(70,289)	(30,824)	(70,289)
Acquisition of mining properties	(689)	(104)	(106,536)	(104)
Deferred exploration costs	(850,655)	(759,872)	(1,596,335)	(1,242,156)
Cash flow used in (from) investing activities	295,768	(25,798)	124,725	(52,549)
Net change in cash and cash equivalents	(104,593)	549,987	(623,461)	452,052
Cash and cash equivalents, beginning of period	2,744,275	3,334,240	3,263,143	3,432,175
Cash and cash equivalents, end of period	2,639,682	3,884,227	2,639,682	3,884,227

Additional information (note 12)

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

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Cash Flows

Three-month periods ended June 30, 2012 and 2011 (Unaudited)

Incorporation and Nature of Operations

Cartier Resources Inc. (the "Company"), initially incorporated under Part 1 A of the Québec Companies Act on July 17, 2006, has been governed by the Business Corporations Act (Quebec) since February 14, 2011. The Company's head office is located at 1740, chemin Sullivan, Suite 1000, Val-d'Or, Québec. Its activities include mainly the acquisition and exploration of mining properties. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

1. Basis of preparation and going concern

These interim condensed financial statements were prepared on a going concern basis, using historical costs method, except for «Other short-term financial assets» which are measured at fair value.

The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The application of IFRS on a going concern basis may be inappropriate, since there is a doubt as to the appropriateness of the going concern assumption.

These interim condensed financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

These interim condensed financial statements have been prepared by the Company's management in accordance with IFRS, as established by the International Accounting Standards Board and in accordance with IAS 34 «interim condensed Financial Reporting». They do not include all the information required in annual financial statements in accordance with IFRS. These interim condensed financial statements must be read in conjunction with the audited financial statements for the year ended December 31, 2011. The accounting policies are presented in the audited financial statements for the year ended December 31, 2011 and have not been modified since that time.

These interim condensed financial statements have been prepared in accordance with IAS 34 and requires the use of certain critical accounting estimates. It also requires management to exercise judgment when applying the Company's accounting policies.

2. Cash and cash equivalents and cash reserved for exploration

As at June 30, 2012, the cash and the cash equivalents and the cash reserved for exploration include banker's acceptances, bonds, an account bearing a high interest rate and an account without interest as detailed below:

	June 30, 2012			December 31, 2011		
	\$	Interest rate	Maturity date	\$	Interest rate	Maturity date
1) Banker's acceptance	353,863	0.880%	2012-07-16	201,168	0.926%	2012-01-18
2) Banker's acceptance	503,592	0.987%	2012-07-30	104,880	1.019%	2012-02-10
3) Banker's acceptance	-	-	-	351,333	1.035%	2012-03-07
4) Bond	512,406	1.333%	2012-08-17	255,106	2.570%	2012-01-30
5) Bond	-	-	-	407,599	2.503%	2012-02-23
6) Account bearing a high interest	880,262	1.200%	-	587,599	1.200%	-
7) Account without interest	562,179	-	-	3,386,498	-	-
Total	2,812,302			5,294,183		

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Cash Flows

Three-month periods ended June 30, 2012 and 2011 (Unaudited)

2. Cash and cash equivalents and cash reserved for exploration (continued)

	June 30, 2012	December 31, 2011
	\$	\$
Cash	1,442,441	3,974,097
Banker's acceptances	857,455	657,381
Bonds	512,406	662,705
	<u>2,812,302</u>	<u>5,294,183</u>
Less: Cash reserved for exploration	(172,620)	(2,031,040)
Cash and cash equivalents	<u>2,639,682</u>	<u>3,263,143</u>

3. Other short-term financial assets

	June 30, 2012	December 31, 2011
	\$	\$
Marketable securities of a quoted mining exploration company, available-for-sale, at fair value	<u>260,000</u>	<u>400,000</u>

4. Receivables

	June 30, 2012	December 31, 2011
	\$	\$
Credit on duties refundable and refundable tax credit for resources	560,771	560,771
Commodity taxes and others	121,573	114,948
	<u>682,344</u>	<u>675,719</u>

5. Property, plant and equipment

	June 30, 2012			December 31, 2011		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$	\$	\$
Leasehold improvements	107,505	16,448	91,057	76,681	7,805	68,876
Furniture and equipment	35,603	16,831	18,772	35,603	13,218	22,385
	<u>143,108</u>	<u>33,279</u>	<u>109,829</u>	<u>112,284</u>	<u>21,023</u>	<u>91,261</u>

6. Leases

The future minimum operating lease payments are as follows:

	Minimum lease payments due			
	Within 1 year	1 to 5 years	After 5 years	Total
	\$	\$	\$	\$
June 30, 2012	44,144	401,823	254,055	700,022
December 31, 2011	92,513	379,495	239,543	711,551
December 31, 2010	45,214	17,778	-	62,992

The Company leases its offices under a lease expiring in March 2021. The Company leases a vehicle under a lease expiring in November 2012 and also equipment under a lease expiring in March 2016.

Lease payments recognized as an expense during the reporting period amount to \$ 44,144 (\$ 92,513 in 2011). This amount consists of minimum lease payments. Sublease payments from premises subleased have been received for an amount of \$ 5,000. The Company's offices lease contains a renewal option.

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Cash Flows

Three-month periods ended June 30, 2012 and 2011 (Unaudited)

7. Mining properties

	December 31, 2011	Additions	Refund Reclassification	Sale	Write-off	June 30, 2012
Properties	\$	\$	\$		\$	\$
Preissac	412,963	-	-	-	-	412,963
MacCormack	252,367	-	-	-	-	252,367
Rambull	214,607	-	-	-	-	214,607
Newconex-Ouest	169,995	-	-	-	-	169,995
Cadillac Extension	52,884	689	-	-	-	53,573
Dollier	39,631	-	-	-	-	39,631
La Pause	8,612	371	-	-	-	8,983
Diego	4,574	-	-	-	-	4,574
Benoist	-	192,976	-	-	-	192,976
Fenton	-	16,000	-	-	-	16,000
	1,155,633	210,036	-	-	-	1,365,669

The Company holds a 100% interest in mining properties that are all located in the northwestern region of Quebec.

On February 7, 2008, the Company signed an agreement with Xstrata Canada Corporation - Xstrata Zinc Canada Division ("Xstrata Zinc") entitling the Company to acquire a 100% interest in five blocks of map designated claims totalling 50 units and covering approximately 2,088 hectares (the "Xstrata-Option Property"). The Xstrata-Option Property is located in Abitibi, in the northwestern region of Quebec. All blocks are contiguous to the four properties which originated from the subdivision of the Company's Kinojevis property. On May 1, 2009, the parties amended the original agreement by allowing the Company to carry forward for one year the exploration work requirements. All other clauses of the original agreement remained unchanged. Pursuant to the amended agreement, the Company had to incur an aggregate amount of \$400,000 in exploration expenses before December 31, 2010, instead of December 31, 2009, and an aggregate amount of \$1,000,000 in exploration expenses before December 31, 2011, instead of December 31, 2010 as stated in the original agreement. As at December 31, 2011, all work requirements have been fulfilled and the Company had \$1,040,060 invested in exploration expenses.

The agreement allows Xstrata Zinc to:

- buy back a 50% undivided interest in the Xstrata-Option Property or portions thereof, or, if it waives this opportunity, to retain a 2% net smelter return royalty on the net production of the Xstrata-Option property;
- the right to purchase or treat concentrate produced from the Xstrata-Option Property.

On March 2, 2012, the Company signed an agreement with Murgor Resources Inc. ("Murgor") entitling the Company the option to acquire up to a 100% interest in the Benoist property, which hosts the Pusticamica gold deposit and is located 65 kilometers north-west of the town of Lebel-sur-Quévillon in the province of Québec. Upon receipt of regulatory approvals, the Company paid \$100,000 in cash and issued 250,000 common shares to Murgor.

More particularly, the Company will have a first option to earn a 51% undivided interest in the project by (i) paying \$100,000 in cash and by issuing 250,000 common shares to Murgor upon receipt of regulatory approvals. The Company must also issue 100,000 shares before the first anniversary of the closing date and another 150,000 shares before the second anniversary of the closing date. The Company must also incur exploration expenditures aggregating \$3,000,000 by March 1st, 2015. In addition, the Company will have a second option to earn an additional 49% undivided interest in the property by issuing 500,000 common shares and incurring additional exploration expenditures aggregating \$3,000,000 by March 1st, 2018. During the option period, the Company will act as operator. Murgor will retain a 1% NSR. The project is also subject to a 2.5% NSR payable to previous vendors of which a 1.5 % NSR can be bought back by the Company for a consideration of \$1,500,000.

On March 19, 2012 the Company signed an agreement with SOQUEM Inc. ("SOQUEM"). Under the terms of the agreement, which remains subject to regulatory approvals, Cartier has an option to earn a 50% undivided interest in the Fenton Property hosting a deposit of the same name, located 47 kilometers southwest of the town of Chapais, in the province of Québec.

Cartier Resources Inc.

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Interim Condensed Statements of Cash Flows

Three-month periods ended June 30, 2012 and 2011 (Unaudited)

7. Mining properties (continued)

More specifically, Cartier will have an option to acquire a 50% undivided interest in the project by issuing 50,000 common shares to SOQUEM upon receipt of regulatory approvals and incurring exploration expenditures aggregating \$1,500,000 by March 19, 2015. In addition, Cartier has a firm commitment to invest \$500,000 in exploration work over the first year, and to issue 50,000 common shares to SOQUEM on each of the first and second anniversaries of the signature of the agreement. SOQUEM will be the operator. After the Company earns its undivided interest of 50%, SOQUEM and Cartier will form a joint venture.

8. Deferred exploration costs

	December 31, 2011	Additions	Reclassification	Sale	Write-off	Tax credits	June 30, 2012
Properties	\$	\$	\$		\$	\$	\$
Cadillac Extension	887,007	1,043,695	-	-	-	-	1,930,702
MacCormack	1,716,723	9,848	-	-	-	-	1,726,571
Dollier	945,356	18,747	-	-	-	-	964,103
Xstrata-Option	899,484	38,535	-	-	-	-	938,019
Diego	418,964	27,768	-	-	-	-	446,732
Preissac	413,278	2,226	-	-	-	-	415,504
Rambull	407,890	2,915	-	-	-	-	410,805
Newconex-Ouest	264,662	901	-	-	-	-	265,563
La Pause	123,848	95,332	-	-	-	-	219,180
Benoist	-	352,868	-	-	-	-	352,868
Fenton	-	272,347	-	-	-	-	272,347
	6,077,212	1,865,182	-	-	-	-	7,942,394

9. Share capital

Authorized

Unlimited number of common shares, without par value, voting and participating

	Number	Amount \$
December 31, 2010	38,580,960	9,835,097
Shares issued and paid		
Private placements (a)	2,999,429	929,525
Flow-through private placements (a)	4,616,000	2,031,040
Renouncement of tax deductions (b)	-	(484,680)
Warrants exercised (c)	3,331,087	1,254,742
Stock options exercised (c)	155,000	82,449
	11,101,516	3,813,076
Share issue expenses	-	(318,263)
	11,101,516	3,494,813
December 31, 2011	49,682,476	13,329,910
Shares issued and paid		
Acquisition of a property (d)	250,000	87,500
March 31, 2012	49,932,476	13,417,410
Shares issued and paid		
Acquisition of a property (e)	50,000	16,000
June 30, 2012	49,982,476	13,433,410

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Cash Flows

Three-month periods ended June 30, 2012 and 2011 (Unaudited)

9. Share capital (continued)

Shares to be issued

	Number	Amount \$
December 31, 2010	893,319	341,248
Shares issued	(893,319)	(341,248)
December 31, 2011	-	-
Shares to be issue	50,000	16,000
Shares issued	(50,000)	(16,000)
June 30, 2012	-	-

(a) Issuance of common and flow-through shares on December 22, 2011

On December 22, 2011, the Company completed a private placement of \$3,080,840 before share issue expenses. The offering consisted of issuance of 2,308 flow-through units (« flow-through units») and 1,614,629 units («units»). Each flow-through unit at a cost of \$1,090 per unit, consisted in 2,000 flow-through common shares at a cost of \$ 0.44 per share and of 600 common shares at a cost of \$ 0.35 per share and also 600 common share purchase warrant, each warrant entitling its holders to subscribe for one common share at a price of \$ 0.46 for a period of 12 months following the closing date. Each unit at a cost of \$ 0.35 per unit consisted of one common shares at a cost of \$ 0.35 per share and of one common share purchase warrant, each warrant entitling its holders to subscribe for one common share at a price of \$ 0.46 for a period of 18 months following the closing date. The Company issued a total of 4,616,00 flow-through common shares at a price of \$ 0.44 and 2,999,429 common shares at a price of \$ 0.35 for an amount of \$ 2,031,040 and \$1,049,800 respectively.

The Company paid the agents a cash commission aggregating \$ 229,588. In addition, the agents received 378,772 broker warrants exercisable at a price of \$ 0.35 per share for a period of 12 months following the closing of the offering and entitling them to acquire 378,772 common shares. The financing is presented net of the value of the related warrants which was established at \$ 120,275. Share issue expenses totalling \$ 318,263 have reduced the capital stock.

(b) The Company also renounced to the tax deduction related to the flow-through shares representing an amount of \$ 484,680 which have reduced the capital stock and increased the liabilities related to flow-through shares.

(c) During the year 2011, the Company issued 3,331,087 shares following the exercise of 2,437,768 warrants and 893,319 shares to be issued as at December 31, 2010 for a total amount of \$ 1,048,510 and 155,000 shares following the exercise of stock options for an amount of \$ 48,050.

(d) During the first quarter of 2012, the Company issued 250,000 shares followin the option to earn a 51% undivided interest in the project by (i) paying \$100,000 in cash and by issuing 250,000 common shares to Murgor upon receipt of regulatory approvals. The Company must also issue 100,000 shares before the first anniversary of the closing date and another 150,000 shares before the second anniversary of the closing date. The Company must also incur exploration expenditures aggregating \$3,000,000 by March 1st, 2015. In addition, the Company will have a second option to earn an additional 49% undivided interest in the property by issuing 500,000 common shares and incurring additional exploration expenditures aggregating \$3,000,000 by March 1st, 2018. During the option period, the Company will act as operator. Murgor will retain a 1% NSR. The project is also subject to a 2.5% NSR payable to previous vendors of which a 1.5 % NSR can be bought back by the Company for a consideration of \$1,500,000.

(e) During the first quarter of 2012, the Company issued 50,000 shares followin option to acquire a 50% undivided interest in the project by issuing 50,000 common shares to SOQUEM upon receipt of regulatory approvals and incurring exploration expenditures aggregating \$1,500,000 by March 19, 2015. In addition, Cartier has a firm commitment to invest \$500,000 in exploration work over the first year, and to issue 50,000 common shares to SOQUEM on each of the first and second anniversaries of the signature of the agreement. SOQUEM will be the operator. After the Company earns its undivided interest of 50%, SOQUEM and Cartier will form a joint venture.

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9. Share capital (continued)

Stock Option Purchase Plan

The Company has a stock option plan that has been approved by the shareholders. The maximum number of common shares which may be reserved under the plan is limited to 10% of the number of common shares issued and outstanding (on a non-diluted basis). The options granted to any optionnee cannot exceed 5% of the issued and outstanding common shares. The options are exercisable for a maximum of five years.

The following table summarizes the information about the outstanding stock options:

	June 30, 2012		December 31, 2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Outstanding - Beginning	2,655,000	0.42	2,402,500	0.42
Granted-employees	1,025,000	0.25	775,000	0.44
Exercised	-	-	(155,000)	0.31
Cancelled	(600,000)	0.51	(367,500)	0.41
Outstanding - End	3,080,000	0.35	2,655,000	0.43
Exercisable - End	2,055,000	0.40	2,242,500	0.43

The following table summarizes certain information for stock options granted and exercisable :

Exercise price	Outstanding options June 30, 2012			Exercisable options June 30, 2012		
	Number of options	Weighted average remaining life (years)	Weighted average exercise price	Number of options	Weighted average remaining life (years)	Weighted average exercise price
\$0.16 to \$0.24	100,000	1.41	0.16	100,000	1.41	0.16
\$0.25 to \$0.34	1,275,000	4.30	0.25	250,000	1.88	0.25
\$0.35 to \$0.44	705,000	3.01	0.38	705,000	3.01	0.37
\$0.45 to \$0.54	850,000	3.27	0.45	850,000	3.27	0.45
\$0.55 to \$0.64	150,000	0.43	0.62	150,000	0.43	0.62
\$0.16 to \$0.64	3,080,000	3.44	0.35	2,055,000	2.72	0.40

Warrants

The following table presents the changes that occurred during the years :

	June 30, 2012			December 31, 2011		
	Number	Weighted average exercise price	Weighted average remaining contractual life	Number	Weighted average exercise price	Weighted average remaining contractual life
		\$	(years)		\$	(years)
Outstanding - Beginning	12,391,830	0.45	0.93	11,451,397	0.44	1.46
Granted - agent compensation options	-	-	-	378,772	0.35	0.98
Granted - private placements	-	-	-	2,999,429	0.46	1.22
Exercised	-	-	-	(2,437,768)	0.30	-
Expired	(2,214,313)	0.45	-	-	-	-
Outstanding - End	10,177,517	0.45	0.68	12,391,830	0.45	0.93

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9. Share capital (continued)

Warrants (continued)

The outstanding warrants are as follows:

Maturity date	Exercise price \$	Number
December 2012	0.35	378,772
December 2012	0.38	661,080
December 2012	0.46	1,500,000
December 2012	0.50	6,138,236
June 2013	0.46	1,499,429
		10,177,517

10. Employee remuneration

Employee benefits expense recognized are detailed below:

	June 30, 2012 \$	December 31, 2011 \$
Wages, salaries and consultant fees	490,026	788,127
Social security costs	48,639	57,001
Share-based payments	38,788	174,569
Defined contribution pension plan	10,655	15,410
	588,108	1,035,107
Less: salaries capitalized in Exploration and evaluation assets	(301,861)	(590,378)
Employee benefits expense	286,247	444,729

11. Cash flows

Additional information

	Three-month period ended		Six-month period ended	
	June 30, 2012	June 30, 2011	June 30, 2012 \$	June 30, 2011 \$
Items not affecting cash and cash equivalents related to operating, financing and investing activities				
Shares issued for the acquisition of mining properties			103,500	-
Depreciation of property, plant and equipment transferred to deferred exploration costs	5,403	3,098	8,379	3,098
Loss on disposal of leasehold improvements against deferred exploration costs	-	14,583	-	14,583
Deferred exploration costs included in accounts payable and accrued liabilities	328,614	86,274	255,799	86,274
Fair value of warrants exercised	-	22,031	-	22,031
Fair value of stock option plan exercised	-	7,434	-	7,434
Stock-based payments charged to deferred exploration costs	4,669	1,221	4,669	1,221
Liabilities related to flow-through shares	41,193	166,383	322,292	166,383

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12. Financial Instruments

Objectives and policies in managing financial risks

The Company is exposed to various financial risks resulting from its operations and financing activities. The directors and officers of the Company manage those risks.

The Company does not enter into speculative derivative financial instruments.

Financial risks

The main financial risks, to which the Company is exposed, and its risk management policies are presented below.

Interest risk

The bonds bear interest at a fixed rate and consequently expose the Company to the risk of fair value fluctuation related to changes in interest rates.

The other financial assets and liabilities of the Company do not represent interest risk because they do not bear interest.

The Company does not use financial derivatives to reduce its exposure to interest risk.

As at June 30, 2012, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents and cash reserved for exploration	Variable and fixed interest rate
Receivables	Non-interest bearing
Accounts payables and accrued liabilities	Non-interest bearing

Interest rate sensitivity

At June 30, 2012, the Company received interest on the following assets:

- Banker's acceptances;
- Bonds

Interest rate movements may affect the fair value of the investments in fixed interest financial assets.

The possible effects on fair value that could arise as a result of changes in interest rates are taken into account when making investment decisions.

Liquidity risks

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company establishes cash forecasts to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible for the Company to continue its operations, and while it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

Credit risk

Cash and cash equivalents are held or issued by financial institutions with a superior-quality credit rating. Hence, the Company considers that the risk of non-performance of such instruments is negligible.

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12. Financial Instruments (continued)

Credit risk analysis

The Company's exposure to credit risk is limited to the accounting value of its financial assets at the date of presentation of the financial information as disclose below :

	June 30,	December 31,
	2012	2011
	\$	\$
Cash and cash equivalents	1,269,821	1,943,057
Cash held for exploration expenses	172,620	2,031,040
Banker's acceptances and bonds	1,369,861	1,320,086
Other receivables (other than goods and services tax receivable)	560,771	560,771
Carrying amounts	3,373,073	5,854,954

The Company has no trade receivables. The receivables are comprised mainly of tax credits, mining taxes and sales tax receivables. Consequently the exposure to credit risk for the Company's receivables is considered limited. No impairment loss has been recognized in the periods presented.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and cash equivalents, cash held for exploration expenses and guaranteed investment certificates is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Fair value of financial instruments

The Company discloses the fair value hierarchy by which the Financial instruments are evaluated and have the following levels. Level 1, valuation based on quoted prices (unadjusted) in active market for identical assets or liabilities. Level 2, includes inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly and Level 3, includes inputs for the asset or liability that are not based on observable market data. Cash and cash equivalents and cash reserved for exploration are classified under Level 1 (note 13).

The fair value of cash and cash equivalents, cash reserved for exploration and receivables approximates their carrying value as these items will be realized in the short term.

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13. Financial assets and liabilities

	June 30, 2012		December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Categories of financial assets and liabilities				
Financial assets				
Loans and receivables				
Cash and cash equivalents	1,269,821	1,269,821	1,943,057	1,943,057
Cash reserved for exploration	172,620	172,620	2,031,040	2,031,040
Banker's acceptance and bond	1,369,861	1,369,861	1,320,086	1,320,086
Available for sale financial asset				
Other short-term financial assets	260,000	260,000	400,000	400,000
Financial liabilities				
Other financial liabilities				
Trade	374,103	374,103	216,448	216,448
Other	234,830	234,830	229,872	229,872

14. Contingencies and commitments

The Company is partially financed through the issuance of flow-through shares. However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Moreover, tax rules regarding flow-through placements set deadlines for carrying out the exploration work no later than the first of the following dates:

- Two years following the flow-through placements;
- One year after the Company has renounced the tax deductions relating to the exploration work.

Commitments to carry out exploration work that are not respected are subject to a combined tax rate of 30% (Canada and Quebec).

During the reporting period, the Company received \$ 2,031,040 following flow-through placements for which the Company renounced tax deductions after December 31, 2011.

The Company has renounced tax deductions of \$ 2,031,040 as at February 28, 2012 and management is required to fulfil its commitments before the stipulated deadline of December 31, 2012. The amount has been presented as «Cash held for exploration expenses».

15. Transactions with key management personnel

The Company's key management personnel are members of the Board of Directors, as well as the president and vice-presidents. Key management personnel remuneration includes the following expenses:

	June 30, 2012	December 31, 2011
	\$	\$
Short-term employee benefits		
Salaries including bonuses and benefits	283,738	462,585
Social security costs	27,063	28,850
Total short-term employee benefits	310,801	491,435
Share-based payments	26,579	117,564
Total remuneration	337,380	608,999

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Interim Condensed Statements of Cash Flows

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16. Capital disclosures

The Company's objectives in managing its capital are to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company's capital is composed of shareholders' equity. The Company's primary uses of capital are to finance exploration expenditures and acquire properties. To effectively manage the Company's capital requirements, the Company has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives.

The Company expects its current capital resources and its ability to obtain additional financing will support further exploration and development of its mineral properties.

The Company is not subject, in regards of external rules, to any requirements regarding its capital, except if the Company completes a flow-through financing for which the cash must be reserved for exploration. As at June 30, 2012, the Company's cash reserved for exploration was \$ 172,620 (\$ 2,031,040 as at December 31, 2011).

As at June 30, 2012 the shareholders' equity was \$ 10,248,643 (\$ 11,165,108 as at December 31, 2011).

17. Related party transactions

	June 30, 2012	December 31, 2011
	\$	\$
Consultants	<u>1,000</u>	<u>-</u>

During the period the Company was provided consultation services from a company pursuant to which a director of the Company is a minority shareholder for \$1,000. This transaction occurred within the normal course of business and was measured at the exchange value, which is the amount of consideration established and agreed to by the related parties. As at June 30, 2012, no amount was included in the accounts payable and accrued liabilities.

18. Liquidity risk analysis

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the past year, the Company has financed its exploration expense commitments, its working capital requirements and acquisitions through private and flow-through financings.

The Company's liabilities are summarized below:

	June 30, 2012	December 31, 2011
	\$	\$
Accounts payables and accrued liabilities	608,933	446,319
Liability related to flow-through shares	41,193	484,680
	<u>650,126</u>	<u>930,999</u>

Where the counterparty has a choice of when an amount is paid, the liability has been included on the earliest date on which payment can be required.