Cartier Resources Inc.
(an exploration company)

Financial Statements

Second quarter ended June 30, 2010

The financial statements for the period ended June 30, 2010 have not been reviewed by the Company's external auditors.

Cartier Resources Inc.
(an exploration company)

Balance Sheets

(Unaudited)

	June 30 2010 (Unaudited)	December 31 2009 (Audited)
	$	$
Assets		
Current assets		
Cash and cash equivalents (note 3)	**1,463,306**	1,484,131
Cash reserved for exploration (note 3)	**314,761**	194,426
Accounts receivable (note 4)	**322,310**	342,610
Prepaid expenses	**20,705**	17,050
	2,121,082	2,038,217
Property, plant and equipment (note 5)	**28,475**	34,966
Mining properties (note 6)	**1,359,021**	1,370,789
Deferred exploration costs (note 7)	**4,122,006**	3,425,785
	7,630,584	6,869,757
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**157,496**	234,881
Future income taxes	**1,033,908**	678,968
	1,191,404	913,849
Shareholders' equity		
Capital stock (note 8)	**7,292,246**	6,722,845
Contributed surplus (note 9)	**1,773,367**	1,384,964
Deficit	**(2,626,433)**	(2,151,901)
	6,439,180	5,955,908
	7,630,584	6,869,757

Going concern (note 1)
Commitments (note 14)

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)

Statements of Deferred Exploration Costs
(Unaudited)

	Three-month period ended		Six-month period ended	
	June 30	June 30	**June 30**	June 30
	2010	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	$	$	**$**	$
Balance - Beginning of period	**3,827,240**	2,272,005	**3,425,785**	2,017,010
Expenses incurred during the period				
Drilling	**53,261**	108,342	**328,958**	177,865
Geophysics	**106,929**	10,016	**160,688**	10,016
Stripping	**17,917**	6,780	**23,697**	7,414
Geology	**126,821**	96,246	**212,670**	203,076
Geochemistry	**642**	2,367	**642**	20,357
Geotechnics	**6,839**	9,290	**9,664**	19,791
Core shack rental and maintenance	**6,600**	7,481	**18,628**	19,537
Exploration office expenses	**15,357**	17,990	**29,219**	38,212
Duties, taxes and permits	**15,827**	6,343	**24,924**	11,847
Depreciation of exploration equipment	**3,098**	3,098	**6,196**	6,196
Stock-based compensation employees	**22,379**	2,569	**51,220**	11,486
Stock-based compensation consultants	**2,691**	-	**2,691**	-
	378,361	270,522	**869,197**	525,797
Tax credits	**(36,320)**	-	**(125,701)**	(280)
	342,041	270,522	**743,496**	525,517
Write-off of deferred exploration costs (net)	**(47,275)**	-	**(47,275)**	-
Net expenses during the period	**294,766**	270,522	**696,221**	525,517
Balance - End of period	**4,122,006**	2,542,527	**4,122,006**	2,542,527

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

Cartier Resources Inc.
(an exploration company)

Statements of Deficit
(Unaudited)

	Three-month period ended		Six-month period ended	
	June 30	June 30	**June 30**	June 30
	2010	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	$	$	**$**	$
Balance - Beginning of period	**(2,348,979)**	(1,486,714)	**(2,151,901)**	(1,355,947)
Net loss	**(277,454)**	(127,261)	**(474,532)**	(258,028)
Balance - End of period	**(2,626,433)**	(1,613,975)	**(2,626,433)**	(1,613,975)

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

Cartier Resources Inc.
(an exploration company)

Statements of Earnings and Comprehensive Loss
(Unaudited)

	Three-month period ended		Six-month period ended	
	June 30 2010 (Unaudited)	June 30 2009 (Unaudited)	**June 30 2010 (Unaudited)**	June 30 2009 (Unaudited)
	$	$	**$**	$
Administrative expenses				
Salaries	**58,765**	54,135	**109,433**	95,662
Consultants	**25,500**	23,375	**48,844**	40,595
Stock-based compensation	**23,509**	5,544	**39,512**	10,330
Professional fees	**30,977**	27,200	**32,232**	31,466
Rent	**2,936**	2,062	**4,586**	4,437
Business development	**20,067**	18,486	**65,183**	34,764
Insurance, taxes and permits	**3,196**	3,556	**6,803**	7,501
Interest and bank charges	**1,807**	543	**2,636**	1,172
Depreciation of property, plant and equipment	**147**	147	**294**	294
Stationery and office expenses	**7,417**	6,025	**10,488**	12,101
Telecommunications	**1,863**	2,587	**3,636**	4,266
Training and travel	**5,022**	9,577	**10,250**	16,413
Advertising	**6,361**	6,885	**43,992**	20,234
Shareholder information	**11,046**	24,028	**23,610**	35,287
Part XII.6 tax	-	5,427	-	12,832
	198,613	189,577	**401,499**	327,354
Others expenses (income)				
Write-off mining properties	**58,714**	-	**58,714**	-
Write-off of deferred exploration costs	**47,275**	-	**47,275**	-
Interest income	**(836)**	(4,133)	**(3,685)**	(11,143)
Loss before income taxes	**(303,766)**	(185,444)	**(503,803)**	(316,211)
Future income taxes	**(26,312)**	(58,183)	**(29,271)**	(58,183)
Net loss and comprehensive loss	**(277,454)**	(127,261)	**(474,532)**	(258,028)
Basic and diluted net loss per share	**(0.01)**	(0.01)	**(0.02)**	(0.01)
Weighted average number of shares outstanding	**26,733,409**	19,635,544	**26,149,706**	19,529,452

Going concern (note 1)

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

Cartier Resources Inc.
(an exploration company)

Statements of Cash Flows
(Unaudited)

	Three-month period ended		Six-month period ended	
	June 30	June 30	**June 30**	June 30
	2010	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	$	$	**$**	$
Cash flows from operating activities				
Net loss	**(277,454)**	(127,261)	**(474,532)**	(258,028)
Items not affecting cash and cash equivalents				
Depreciation of property, plant and equipment	**147**	147	**294**	294
Stock-based compensation	**23,509**	5,544	**39,512**	10,330
Future income taxes	**(26,312)**	(58,183)	**(29,271)**	(58,183)
Write-off of mining properties	**58,714**	-	**58,714**	-
Write-off of deferred exploration costs	**47,275**	-	**47,275**	-
	(174,121)	(179,753)	**(358,008)**	(305,587)
Net change in non-cash working capital items				
Accounts receivable	**21,130**	717,028	**28,291**	724,095
Prepaid expenses	**(17,336)**	(8,305)	**(3,655)**	(8,267)
Accounts payable and accrued liabilities	**(32,242)**	18,790	**520**	20,866
	(202,569)	547,760	**(332,852)**	431,107
Cash flows from financing activities				
Issuance of shares and warrants	**1,325,010**	1,253,080	**1,325,010**	1,253,080
Share and warrant issue expenses	**(138,876)**	(153,196)	**(138,876)**	(158,692)
	1,186,134	1,099,884	**1,186,134**	1,094,388
Cash flows from investing activities				
Cash reserved for exploration	**(314,761)**	(741,567)	**(120,335)**	(504,092)
Net acquisition of mining properties	**(2,664)**	(432)	**(11,946)**	(707)
Deferred exploration costs	**(190,886)**	(264,519)	**(741,826)**	(451,443)
	(508,311)	(1,006,518)	**(874,107)**	(956,242)
Increase (decrease) in cash and cash equivalents	**475,254**	641,126	**(20,825)**	569,253
Cash and cash equivalents - Beginning of period	**988,052**	1,042,389	**1,484,131**	1,114,262
Cash and cash equivalents - End of period	**1,463,306**	1,683,515	**1,463,306**	1,683,515

Additional information (note 10)

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

1. Incorporation, nature of operations and going concern

Cartier Resources Inc. (the "Company") was incorporated under Part 1A of the Québec *Companies Act* on July 17, 2006. 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.

The Company's ability to continue as a going concern depends on obtaining additional financing, and 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. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern. The application of GAAP on a going concern basis may be inappropriate, since there is a doubt as to the validity of the going concern assumption.

These 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 balance sheet 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.

2. Summary of significant accounting policies

Basis of presentation

These unaudited interim financial statements of the Company have been prepared in accordance with Canadian GAAP and contain the financial position, results of operations and cash flows of the Company. The same accounting policies used in the last annual report have been applied in the unaudited interim financial statements. The unaudited interim financial statements do not include all the information and notes required according to the GAAP for the annual financial statements that the Company presented in its annual report for the year ended December 31, 2009. As a result, these unaudited interim financial statements should be read in conjunction with the audited financial statements of the Company in the annual report for the year ended December 31, 2009.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the disclosures in the notes thereto.

The most significant items requiring the use of management's estimates and assumptions consist of the recoverable value of mining assets, the stock-based compensation and other stock-based payments, the value of warrants and the provision for future income taxes and mining taxes. These estimates and assumptions were made by management using careful judgment, based on the most current geological information available and its planned course of action, as well as on assumptions about future business, economic and capital market conditions.

Actual results could differ from estimates used in preparing these financial statements and such differences could be material.

3. Cash and cash equivalents and cash reserved for exploration

As at June 30, 2010, the cash and cash equivalents included cash, banker's acceptance expiring August 30, 2010 for an amount of $199,826 and two bonds of which one bond bearing an interest rate of 4.95% and expiring July 19, 2010 and the other bond bearing an interest rate of 6.7% and expiring September 2, 2010. As at December 31, 2009, the cash and cash equivalents and the cash reserved for exploration included cash, banker's acceptance expiring February 1, 2010 for an amount of $399,920 and two bonds, with one bond bearing an interest rate of 4% and expiring February 1, 2010, and the other bond bearing an interest rate of 0.29% and expiring February 15, 2010 for an amount of $300,549 and $399,870 respectively.

	June 30 2010 (Unaudited)	December 31 2009 (Audited)
	$	$
Cash	**898,626**	578,218
Banker's acceptance	**199,826**	399,920
Bonds	**679,615**	700,419
	1,778,067	1,678,557
Less: cash reserved for exploration	**(314,761)**	(194,426)
Cash and cash equivalents	**1,463,306**	1,484,131

4. Accounts receivable

	June 30 2010 (Unaudited)	December 31 2009 (Audited)
	$	$
Credit on duties refundable and refundable tax credit for resources	**282,350**	274,359
Commodity taxes and others	**39,960**	68,251
	322,310	342,610

5. Property, plant and equipment

	June 30 2010 (Unaudited)			December 31 2009 (Audited)		
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
	$	**$**	**$**	$	$	$
Leasehold improvements	**51,730**	**29,388**	**22,342**	51,730	24,214	27,516
Furniture and equipment	**13,173**	**7,040**	**6,133**	13,173	5,723	7,450
	64,903	**36,428**	**28,475**	64,903	29,937	34,966

6. Mining properties

Properties	December 31 2009 (Audited)	Additions	Reclassification	Write-off	**June 30 2010 (Unaudited)**
	$	$	$	$	**$**
MacCormack	252,367	-	-	-	**252,367**
Preissac	412,963	-	-	-	**412,963**
Newconex West	309,723	-	(768)	(52,164)	**256,791**
Rambull	172,224	-	-	-	**172,224**
Dieppe-Collet	71,935	-	-	-	**71,935**
Dollier	40,723	-	(1,092)	-	**39,631**
Diego	3,484	830	-	-	**4,314**
La Pause	8,612	-	-	-	**8,612**
Rivière Doré	56,396	41,580	-	-	**97,976**
Cadillac Extension	24,568	6,396	11,244	-	**42,208**
DeCorta	11,244	-	(11,244)	-	**-**
Manneville	6,550	-	-	(6,550)	**-**
	1,370,789	48,806	(1,860)	(58,714)	**1,359,021**

The Company holds a 100% interest in 10 mining properties that are all located in the northwestern region of Quebec. These properties are the following: MacCormack, Preissac, Newconex West, Rambull, Dieppe-Collet, Dollier, La Pause, Diego, Rivière Doré and Cadillac Extension.The MacCormack, Preissac, Newconex West and Rambull properties as well as the five claim blocks of the Xstrata-Option Property, cover a length of 48 kilometers on the eastern extension of the Destor-Porcupine fault.

During the period, the Company merge the DeCorta property with the Cadillac Extension property. An amount of $11,244 was transfer to the Cadillac Extension mining property and the exploration cost of $42,490 was also trnasfer to the Cadillac Extention property.

Since no exploration work was planned on the Manneville property and on a portion of Newconex West property corresponding to 16 claims. The Company wrote-off, during the second quarter, the cost related to the Manneville property and the the sixteen claims of the Newconex West property corresponding to the acquisition costs of $6,550 and $52,164 respectively and also the deferred exploration costs of $42,899 and $4,376, Those are recorded in the statements of earnings and comprehensive loss.

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 the 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 remain unchanged. Pursuant to the amended agreement, the Company must 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.

These expenditures may be accelerated and charged to future years' expenses and accordingly, at the Company's sole discretion, the option may be exercised sooner. 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; and
- the right to purchase or treat concentrate produced from the Xstrata-Option Property.

As at June 30, 2010, the Company had incurred total exploration costs of $315,973 on the Xstrata-Option Property.

7. Deferred exploration costs

Properties	December 31 2009 (Audited)	Exploration incurred in the period	Reclassification	Write-off	Tax credits	**June 30 2010 (Unaudited)**
	$	$	$	$	$	**$**
MacCormack	1,437,817	311,950	-	-	(67,290)	**1,682,477**
Preissac	382,268	27,745	-	-	(3,488)	**406,525**
Newconex West	427,416	4,226	-	(4,376)	-	**427,266**
Rambull	295,672	14,929	-	-	(2,031)	**308,570**
Dieppe-Collet	144,991	1,144	-	-	-	**146,135**
Dollier	161,367	109,709	-	-	(9,175)	**261,901**
Diego	10,393	80,687	-	-	(9,041)	**82,039**
La Pause	120,004	2,446	-	-	(198)	**122,252**
Rivière Doré	122,116	137,615	-	-	(6,215)	**253,516**
Cadillac Extension	87,853	55,727	42,490	-	(9,138)	**176,932**
Xstrata-Option	150,499	123,019	-	-	(19,125)	**254,393**
DeCorta	42,490	-	(42,490)	-	-	**-**
Manneville	42,899	-	-	(42,899)	-	**-**
	3,425,785	869,197	-	(47,275)	(125,701)	**4,122,006**

8. Capital stock

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

	Number	Amount
		$
Balance at beginning December 31, 2009	25,526,183	6,722,845
Shares issued		
Property acquisition	100,000	35,000
Waiver of tax deductions	-	(356,752)
	100,000	(321,752)
Balance - March 31, 2010	25,626,183	6,401,093
Shares issued		
Public offering short-form document	557,143	121,329
Public offering short-form document flow-through common shares	1,250,000	535,339
Private placement	1,657,170	373,361
	3,464,313	1,030,029
Share issue expenses	-	(138,876)
Balance - June 30, 2010	29,090,496	7,292,246

8. Capital stock (continued)

Issuance of common shares on June 15, 2010

On June 15, 2010, the Company completed a private placement of $580,010 before share issue expenses. The Company issued 1,657,170 units. Each unit consists of one common share at a price of $0.35 per share and one share purchase warrant with each warrant entitling the holder to subscribe to one common share at a price of $0.45 for a period of two years following the date of closing. The financing is presented net of the value of the related warrants which was established at $206,649. Share issue expenses totalling $29,140 have reduced the capital stock.

Issuance of common shares and flow-through common shares on May 19, 2010

On May 19, 2010, the Company completed a public offering of $745,000.05 by way of a short-form offering document. The offering consisted of the issuance of 1,250,000 flow-through shares at a price of $0.44 per flow-through share for an amount of $550,000 and 557,143 units at a price of $0.35 per unit for an amount of $195,000.05. Each unit is comprised of one common share and one common share purchase warrant, each warrant entitling the holder to subscribe for one common share at a price of $0.45 for a period of two years following the closing date. The Company paid the agent a fee equal to 8.5% of the gross proceeds from the sale of flow-through shares and units sold pursuant to the offering. In addition the agent received non transferable compensation options entitling it to subscribe for such number of common shares of the Company equal to 5% (98,357 compensation options) of the total number of shares sold pursuant the offering, exercisable in whole or in part at a price of $0.35 per common share for a period of 12 months from closing.

The financing is presented net of the value of the related warrants and the agent compensation options which was established at $67,136 and $21,195 respectively. Share issue expenses totalling $109,736 have reduced the capital stock.

Stock option plan

The Company maintains a stock option plan on behalf of its directors, officers, employees and consultants. The Board of Directors determines the vesting conditions pursuant to the stock options which have been granted. The options are acquired over a period of twelve months, with tranches of 25 % vesting every three months. The options are exercisable over a maximum period of five years.

On May 20, 2009, the Company modified its stock option plan. The modification allows that the maximum number of common shares which may be reserved under the plan would be 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.

During the period 375,000 options were granted.

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

	Number	Weighted average exercise price
		$
Outstanding - December 31, 2009	1,965,000	0.42
Granted-employees	375,000	0.27
Granted-consultants	-	-
Outstanding - June 30, 2010	2,340,000	0.41
Exercisable - June 30, 2010	1,827,500	0.42

8. Capital stock (continued)

The following table summarizes certain information for stock options granted and exercisable as at June 30, 2010 :

	Outstanding options June 30, 2010			Exercisable options June 30, 2010	
Exercise price	Number of options	Weighted average life	Weighted average exercise price	Number of options	Weighted average exercise price
		(years)	$		$
0,10 $ to 0,20 $	140,000	3.41	0.16	140,000	0.16
0,21 $ to 0,30 $	450,000	3.08	0.25	450,000	0.25
0,31 $ to 0,40 $	650,000	4.72	0.37	137,500	0.36
0,41 $ to 0,50 $	200,000	2.89	0.45	200,000	0.45
0,51 $ to 0,60 $	700,000	1.92	0.54	700,000	0.54
0,61 $ to 0,70 $	200,000	2.43	0.62	200,000	0.62
0,10 $ to 0,70 $	2,340,000	3.14	0.41	1,827,500	0.42

Warrants

Pursuant to the public offering by way of a short-form effering document completed May 19, 2010, a total of 557,143 warrants were issued and 90,357 compensation options were granted to the agent of the offering as partial compensation. Each share purchase warrant entitle the holder to acquire one common share at an exercise price of $0.45 per share for a period of two years following the date of closing. And each compensation option entitle the holder to acquire one common share at an exercise price of $0.35 per share for a period of one year following the date of closing.

The Company completed a private placement on June 15, 2010, an a total of 1,657,170 share purchase warrant was issued. Each share purchase warrant entitle the holder to acquire one common share at an exercise price of $0.45 per share for a period of two years following the date of closing.

The following table presents the information relating to the warrant activity :

	Number	Weighted average exercise price	Weighted average remaining contractual life
		$	(years)
Outstanding - December 31, 2009	4,199,412	0.32	1.32
Granted - public offering short-form offering document	557,143	0.45	1.88
Granted - agent compensation options	90,357	0.35	0.88
Granted - private placement	1,657,170	0.45	1.96
Outstanding - June 30, 2010	6,504,082	0.36	1.21

8. Capital stock (continued)

The outstanding warrants are as followed :

Expiration date	Exercise price	Number
	$	
December 2010	0.35	1,411,091
May 2011	0.35	90,357
June 2011	0.30	1,538,320
July 2011	0.30	1,250,001
May 2012	0.45	557,143
June 2012	0.45	1,657,170
		6,504,082

9. Contributed surplus

	$
Beginning - December 31, 2009	1,384,964
Warrants granted during the period	294,980
Stock-based compensation	93,423
Exercised options	-
End - June 30, 2010	1,773,367

10. Cash flows

Additional information

	Three-month period ended		**Six-month period ended**	
	June 30	June 30	**June 30**	June 30
	2010	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	$	$	**$**	$
Items not affecting cash and cash equivalents related to operating, financing and investing activities				
Tax credits applied against deferred exploration costs	**36,320**	-	**125,701**	280
Shares issued for the acquisition of mining properties	**35,000**	-	**35,000**	-
Depreciation of property, plant and equipment transferred to deferred exploration costs	**3,098**	3,098	**6,196**	6,197
Deferred exploration costs included in accounts payable and accrued liabilities	**14,138**	337	**88,874**	75,073
Stock-based compensation charged to deferred exploration costs	**25,070**	2,569	**53,911**	11,486

11. Financial instruments

Objectives and policies in managing financial risks

As an exploration company, 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 and the policies in risk management which the Company is exposed to are the following:

Interest risk

The obligation bears interest at a fixed rate and consequently exposes the Company to the fair value risk fluctuation related to interest fluctuation rates.

The other financial assets and liabilities of the Company do not represent interest risk because they are concluded without interest.

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

As at June 30, 2010, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable and fixed interest rate
Accounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing

Liquidity risk

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 estimates 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 can be 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.

11. Financial instruments (continued)

Fair value of financial instruments

The fair value of cash and cash equivalents, cash reserved for exploration, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturity.

	June 30 2010 (Unaudited)		December 31 2009 (Audited)	
	Book value	**Fair value**	Book value	Fair value
Financial assets	**$**	**$**	$	$
Held for trading				
Cash and cash equivalents (a,b)	**1,463,306**	**1,463,306**	1,484,131	1,484,131
Cash reserved for exploration (a)	**314,761**	**314,761**	194,426	194,426
Loans and receivables				
Accounts receivables (a)	**988**	**988**	10,156	10,156
Financial liabilities				
Others financial liabilities				
Accounts payable and accrued liabilities (a)	**157,496**	**157,496**	234,881	234,881

a) The Company owns and assumes financial assets and liabilities such as cash and cash equivalents, accounts receivable, as well as accounts payable and accrued liabilities. The fair value of these financial assets and liabilities approximates their book value as these items will be realized in the short term.

b) The fair value of banker's acceptances and bonds is the bid price.

Fair value
The fair value measurements of bankers' acceptance and bonds have been classified at level one from the fair value hierarchy. This valuation is based on data observed in the market.

12. 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 proceeds must be reserved for exploration. As at June 30, 2010, the cash reserved for exploration is $314,761.

As at June 30, 2010, the shareholders' equity was $6,412,868 ($5,955,908 as at December 31, 2009).

13. Related party transactions

	Three-month period ended		Six-month period ended	
	June 30	June 30	**June 30**	June 30
	2010	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	$	$	**$**	$
Consultants	**1,000**	2,000	**1,000**	2,000

The Company was provided consultation services from a company pursuant to which a director of the Company is a minority shareholder. These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. There is no amount unpaid as at June 30, 2010.

14. Commitments

The Company has some contractual obligations pursuant to various leases and equipment and vehicule leasing agreements. The Company has an obligation to pay a total amount of $85,600 over the next three years. Minimum payments are as follows:

	$
2010	22,607
2011	45,214
2012	17,779
	85,600

15. Subsequent event

On July 1, 2010, the Company announce the engagement of Linx Inc. (Linx) to perform corporate advisory and investor relations services for the Company for a period of twelve months. As compensation for its services, Linx will receive a fee of $5,000 per month. Additionally, the Company will grant 120,000 stock options to Linx at an exercise price of $0.38 for a period of five years.

16. Comparative figures

Certain comparative figures have been reclassified to conform with the current period presentation.