

## **Cartier Resources Inc.**

(an exploration company)

***Interim condensed financial statements***  
*(Unaudited)*

***Third quarter ended September 30, 2011***

The interim condensed financial statements for the period ended September 30, 2011 have not been reviewed by the Company's external auditors.

# Cartier Resources Inc.

(an exploration company)

## Interim Condensed Statements of Financial Position

**(Unaudited)**

(In Canadian \$)

	September 30, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents (note 3)	2,919,139	3,432,175	1,484,131
Cash reserved for exploration (note 3)	-	1,260,000	194,426
Receivables (note 4)	726,772	418,540	342,610
Prepaid expenses	36,616	24,230	17,050
	<b>3,682,527</b>	5,134,945	2,038,217
PROPERTY, PLANT AND EQUIPMENT (note 5)	81,463	21,984	34,966
MINING PROPERTIES (note 6)	1,378,953	1,372,489	1,370,789
DEFERRED EXPLORATION COSTS (note 7)	6,418,025	4,699,484	3,425,785
<b>TOTAL ASSETS</b>	<b>11,560,968</b>	11,228,902	6,869,757
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	320,066	236,363	234,881
Liability related to flow-through shares	-	304,450	281,105
	<b>320,066</b>	540,813	515,986
DEFERRED INCOME AND MINING TAXES	1,417,922	1,061,832	678,968
<b>TOTAL LIABILITIES</b>	<b>1,737,988</b>	1,602,645	1,194,954
<b>EQUITY</b>			
Share capital (note 8)	11,172,288	9,835,097	6,441,740
Share capital to be issued (note 8)	-	341,248	-
Contributed surplus (note 9)	2,531,977	2,617,789	1,421,593
Deficit	(3,881,285)	(3,167,877)	(2,188,530)
<b>TOTAL EQUITY</b>	<b>9,822,980</b>	9,626,257	5,674,803
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,560,968</b>	11,228,902	6,869,757

### 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		Nine-month period ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	\$	\$	\$	\$
<b>Balance - Beginning of period</b>	<b>5,997,846</b>	4,116,803	<b>4,699,484</b>	3,425,785
<b>Expenses incurred during the period</b>				
Geology	94,534	134,089	338,704	346,759
Geophysics	26,545	231,082	137,624	391,771
Drilling	404,837	1,365	1,070,377	330,324
Stripping	54,571	106,476	157,338	130,173
Exploration office expenses	13,073	12,210	43,137	41,428
Geochemistry	15,471	554	52,486	1,196
Geotechnics	6,122	28,116	63,358	37,780
Core shack rental and maintenance	15,591	9,826	34,259	28,454
Duties, taxes and permits	2,076	2,834	15,357	27,758
Depreciation of exploration equipment	2,847	3,098	7,653	9,294
Loss on write-off of leasehold improvements	-	-	14,583	-
Share-based compensation-employees	5,270	868	6,713	44,194
Share-based compensation-consultants	-	10,910	-	16,293
	<b>640,938</b>	541,428	<b>1,941,589</b>	1,405,424
Write-off of deferred exploration costs	-	-	-	(47,275)
Tax credits	(220,759)	(73,135)	(223,048)	(198,838)
Net expenses during the period	<b>420,179</b>	468,293	<b>1,718,541</b>	1,159,311
<b>Balance - End of period</b>	<b>6,418,025</b>	4,585,096	<b>6,418,025</b>	4,585,096

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 \$	Shares to be issued \$	Contributed surplus \$	Deficit \$	Total equity \$
<b>BALANCE AS AT DECEMBER 31, 2010</b>	9,835,097	341,248	2,617,789	(3,167,877)	<b>9,626,257</b>
Issue of shares	-	-	-	-	-
Effect of share-based compensation	-	-	126,233	-	<b>126,233</b>
Effect of exercise of stock options	82,449	-	(34,399)	-	<b>48,050</b>
Effect of exercise of warrants	1,254,742	(341,248)	(177,646)	-	<b>735,848</b>
<b>Net loss and comprehensive loss for the period</b>	-	-	-	(713,408)	<b>(713,408)</b>
	1,337,191	(341,248)	(85,812)	(713,408)	<b>196,723</b>
<b>BALANCE AS AT SEPTEMBER 30, 2011</b>	11,172,288	-	2,531,977	(3,881,285)	<b>9,822,980</b>

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 \$	Contributed surplus \$	Deficit \$	Total equity \$
<b>BALANCE AS AT JANUARY 1ST, 2010</b>	6,441,740	1,421,593	(2,188,530)	<b>5,674,803</b>
Issue of shares	891,194	-	-	<b>891,194</b>
Effect of share-based compensation	-	146,992	-	<b>146,992</b>
Effect of exercise of stock options	-	(3,049)	-	<b>(3,050)</b>
Effect of exercise of warrants	-	294,980	-	<b>294,980</b>
<b>Net loss and comprehensive loss for the period</b>	-	-	(720,998)	<b>(720,998)</b>
	891,194	438,923	(720,998)	<b>609,119</b>
<b>BALANCE AS AT SEPTEMBER 30, 2010</b>	<b>7,332,934</b>	<b>1,860,516</b>	<b>(2,909,528)</b>	<b>6,283,922</b>

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

# Cartier Resources Inc.

(an exploration company)

## Interim Condensed Statements of net loss and comprehensive loss

**(Unaudited)**

(In Canadian \$)

	Three-month period ended		Nine-month period ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	\$	\$	\$	\$
<b>Administrative expenses</b>				
Salaries	61,788	51,376	180,082	160,809
Consultants	21,170	18,728	95,017	67,572
Share-based compensation-employees	56,659	41,090	119,520	86,504
Professional fees	4,481	2,487	34,346	34,719
Rent	6,496	1,650	17,158	6,236
Business development	16,670	16,490	125,790	81,673
Insurance, taxes and permits	4,116	4,012	12,148	10,815
Interest and bank charges	802	290	2,218	2,926
Depreciation of property, plant and equipment	1,554	148	2,697	442
Stationery and office expenses	12,503	4,238	38,607	14,726
Telecommunications	3,718	1,774	9,191	5,410
Training and travel	7,079	5,745	29,030	15,995
Advertising	11,744	10,792	25,612	54,784
Shareholder's information	7,104	6,852	38,700	30,462
Part XII.6 tax	-	-	2,471	-
<b>OPERATING LOSS</b>	<b>215,884</b>	<b>165,672</b>	<b>732,587</b>	<b>573,073</b>
<b>Other expenses (income)</b>				
Write-off of mining properties	-	-	-	58,714
Write-off of deferred exploration costs	-	-	-	47,275
Management income	(233)	-	(11,623)	-
Interest income	(8,791)	(755)	(28,129)	(4,440)
<b>LOSS BEFORE MINING AND INCOME TAXES</b>	<b>(206,860)</b>	<b>(164,917)</b>	<b>(692,835)</b>	<b>(674,622)</b>
<b>Mining and income taxes</b>	<b>39,879</b>	<b>-</b>	<b>20,573</b>	<b>46,376</b>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(246,739)</b>	<b>(164,917)</b>	<b>(713,408)</b>	<b>(720,998)</b>
<b>LOSS PER SHARE</b>				
basic	(0.01)	(0.01)	(0.02)	(0.03)
diluted	(0.01)	(0.01)	(0.02)	(0.03)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>41,720,960</b>	<b>29,093,212</b>	<b>40,638,555</b>	<b>27,141,657</b>
<b>DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>41,944,318</b>	<b>29,696,172</b>	<b>41,504,465</b>	<b>27,793,121</b>

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

# Cartier Resources Inc.

(an exploration company)

## Interim Condensed Statements of Cash Flows

**(Unaudited)**

(In Canadian \$)

	Three-month period ended		Nine-month period ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Loss before mining and income taxes for the period	(206,860)	(164,917)	(692,835)	(674,622)
Adjustments for:				
Depreciation of property, plant and equipment	1,554	148	2,697	442
Share-based compensation	56,659	41,090	119,520	86,504
Write-off of mining properties	-	-	-	58,714
Write-off of deferred exploration costs	-	-	-	47,275
	(148,647)	(123,679)	(570,618)	(481,687)
Net change in non-cash working capital items				
Receivables	(83,778)	(4,525)	(78,117)	23,766
Prepaid expenses	(13,955)	(3,936)	(12,386)	(7,591)
Accounts payables and accrued liabilities	(101,755)	(46,475)	9,488	(45,955)
Cash flow used in operating activities	(348,135)	(178,615)	(651,633)	(511,467)
<b>FINANCING ACTIVITIES</b>				
Issuance of shares and warrants	-	-	735,848	1,325,010
Exercise of stock options	9,250	6,250	48,050	6,250
Share and warrant issue expenses	-	(508)	-	(139,384)
Cash flow from financing activities	9,250	5,742	783,898	1,191,876
<b>INVESTING ACTIVITIES</b>				
Cash reserved for exploration	-	314,761	1,260,000	194,426
Acquisition of fixed assets	(12,072)	-	(82,361)	-
Acquisition of mining properties	-	(11,102)	(104)	(23,048)
Deferred exploration costs	(614,131)	(450,184)	(1,822,836)	(1,192,010)
Cash flow used in investing activities	(626,203)	(146,525)	(645,301)	(1,020,632)
<b>Net change in cash and cash equivalents</b>	<b>(965,088)</b>	<b>(319,398)</b>	<b>(513,036)</b>	<b>(340,223)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>3,884,227</b>	<b>1,463,306</b>	<b>3,432,175</b>	<b>1,484,131</b>
<b>Cash and cash equivalents, end of period</b>	<b>2,919,139</b>	<b>1,143,908</b>	<b>2,919,139</b>	<b>1,143,908</b>

Additional information (note 10)

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

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

**Nine-month periods ended September 30, 2011 and 2010 (Unaudited)**

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### 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, is now 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, adoption of IFRS and going concern

These interim condensed financial statements have been prepared by the Company's management in accordance with International Financial Reporting Standards ("IFRS"), and in accordance with IAS 34 "Interim Financial Reporting". They do not include all the information required in annual financial statements in accordance with IFRS. As these financial statements represent the Company's first financial statements under IFRS, they have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards". These interim condensed financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 financial statements. Those accounting policies are based on the IFRS standards that the Company expects to be applicable at that time. The policies described in Note 2 were consistently applied to all the periods presented unless otherwise noted below.

The Company's financial statements were previously prepared in accordance with the Canadian generally accepted accounting principles ("Canadian GAAP"). The transition date from Canadian GAAP to IFRS is January 1, 2010. Canadian GAAP differs in some areas from IFRS. In preparing these interim condensed financial statements in accordance with IFRS, management has amended certain accounting and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Disclosures, that are considered significant to the understanding of the Company's interim condensed financial statements and which are normally included in annual financial statements prepared in accordance with IFRS, are provided in note 14. This note also presents reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on the equity, the net loss and the comprehensive loss. Moreover, in addition to the supplemental disclosures in note 14, other notes have been added for ease of understanding of the interim condensed financial statements.

These interim condensed financial statements were prepared on a going concern basis, using the historical cost, except for the financial assets and the financial liabilities accounted for at fair value through profit and loss.

The Company's ability to continue as a going concern depends on its ability to realize its assets and 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 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.

The preparation of interim condensed financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment when applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.17.

The significant accounting policies that have been applied in the preparation of these interim condensed financial statements are summarized in note 2.



# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

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### 2. Summary of accounting policies

#### 2.1. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of authorization of these interim condensed financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Company.

Management anticipates that all of the pronouncements not yet effective will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a significant impact on the Company's financial statements.

IFRS 9: "Financial Instruments" (effective from January 1, 2013): The International Accounting Standards Board ("IASB") aims to replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management has not yet assessed the impact that this amendment is likely to have on the financial statements of the Company. However, it does not expect to implement the amendments until all chapters of IFRS 9 have been published and it can comprehensively assess the impact of all changes.

#### 2.2. Post employment benefits and short-term employee benefits

The Company provides post employment benefits through a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays contributions, established according to a percentage of the employee's salary, to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution during the employment period.

Short-term employee benefits, including vacation entitlement, are current liabilities included in "accounts payables and accrued liabilities", and are measured at the undiscounted amount that the Company expects to pay.

#### 2.3. Share-based payment

The Company has a stock option purchase plan under which options to acquire Company's common shares may be granted to its directors, officers, employees and consultants. The plan does not feature any options for a cash settlement.

Where employees are rewarded using share-based payments, the fair values of employees' services are determined by reference to the fair value of the equity instruments granted. The fair value of each option is determined using the Black-Scholes pricing model at the date of grant. All share-based payment are ultimately recognized as an expense with a corresponding increase to "contributed surplus".

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense in prior periods if share options ultimately exercised are different from that estimated on vesting.

Upon exercise of share options, the proceeds received are credited to share capital.

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

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### 2. Summary of accounting policies (continued)

#### 2.4. Mining assets

The Company records its mining assets, including wholly-owned mining properties, undivided interests in mining properties and deferred exploration costs, at cost less certain recoveries.

Exploration costs are capitalized on the basis of specific mining property or areas of geological interest until the mining assets to which they relate are placed into production, sold or allowed to lapse. Management reviews the carrying values of mining assets on a regular basis to determine whether any writedowns are necessary.

These costs will be amortized over the estimated useful life of the mining assets following commencement of production or written off if the mining assets or projects are sold or allowed to lapse.

General exploration costs not related to specific mining assets are expensed in the statement of net loss and comprehensive loss as incurred.

The recoverability of the amounts recorded under mining properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing needed to complete development, and future profitable production or proceeds from the disposal of these assets. The amounts shown for mining properties and deferred exploration costs are not necessarily indicative of present or future values.

#### 2.5. Credit on duties refundable for loss and refundable tax credit for resources

The Company is entitled to a credit on duties refundable for loss under the Mining Duties Act. This credit on duties refundable for loss on exploration costs incurred in the Province of Quebec at the rate of 12% has been applied against the deferred income taxes in the statement of financial position.

Furthermore, the Company is entitled to a refundable tax credit for resources for mining companies on qualified expenditures incurred. The refundable tax credit for resources may reach 35% or 38.75% of qualified expenditures incurred. This tax credit is accounted against the qualified expenditures.

#### 2.6. Income and mining taxes

The income tax expense is composed of current and deferred taxes. Taxes are recognized in the statement of loss unless they relate to items carried in other comprehensive income or directly in shareholders' equity.

##### *Current income taxes and mining taxes*

Current income tax and mining tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. The current income tax expense is based on the income for the period adjusted for non-taxable or non-deductible items. The mining tax expense is based on the income for the period for each mining site under production adjusted for non-taxable or non-deductible items. Calculation of current tax and mining tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management regularly examines positions in tax returns where tax regulations are subject to interpretation.

##### *Deferred income taxes and deferred mining taxes*

Deferred income taxes are recognized using the liability method on temporary differences between the tax basis of the assets and liabilities and their carrying amount in the statement of financial position. Deferred income tax assets and liabilities are calculated, on an undiscounted basis, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

##### *Deferred income tax liabilities and mining taxes*

- Are generally recognized for all temporary taxable differences.

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

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### 2. Summary of accounting policies (continued)

#### 2.6. Income and mining taxes (continued)

##### *Deferred income tax assets and mining taxes*

- Are recognized to the extent that it is probable that they will be able to be utilized against future taxable income;
- Are examined at the end of the reporting period and reduced when it is no longer probable that taxable income will be sufficient to recover some or all of the deferred tax assets; in which case, the assets are reduced. As of today, the Company has no deferred income tax assets.

Deferred income tax assets and liabilities are not recognized for temporary differences resulting from the initial recognition of assets and liabilities acquired other than in a business combination.

Deferred income tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in the statement of net loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce tax deductions for expenses related to prospecting activities to the benefit of the shareholders. Under the liability method, deferred taxes relating to temporary differences resulting from this renunciation are recorded, at the time of the renunciation of the tax deductions with a corresponding reduction of capital stock.

#### 2.7. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary equity holders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting earnings attributable to common shareholders, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares. The calculation considers that dilutive potential common shares are deemed to have been converted into potential common shares at the beginning of the period or, if later, at the date of issue of the potential common shares.

Diluted earnings per common share is calculated based on net earnings divided by the average number of common shares outstanding taking into account the dilutive effect of stock options and warrants using the treasury stock method.

#### 2.8. Cash reserved for exploration

Cash reserved for exploration consist of proceeds of flow-through financings not yet expensed. Under the terms of these financings, the Company is committed to spend the proceeds on exploration activities.

#### 2.9. Cash and cash equivalents

Cash and cash equivalents comprise cash and term deposits with original maturity dates of less than three months.

#### 2.10. Exploration tax credits receivable

The Company is entitled to refundable tax credits on qualified expenditures incurred by the Company. The refundable tax credits have been applied against the expenses incurred.

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

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### 2. Summary of accounting policies (continued)

#### 2.11. Property, plant and equipment

Property, plant and equipment are recorded at cost, net of related government assistance, accumulated depreciation and accumulated impairment. The cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

- Leasehold improvements: 5 years
- Furniture and equipment: 5 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of net loss and comprehensive loss.

#### 2.12. Impairment of assets

Mining properties and exploration costs are tested for impairment when events or changes in circumstances indicate that their carrying amount may be impaired. If management has not enough information to estimate future cash flows to evaluate recoverability of capitalized amounts, the management compare the fair value and the carrying value. Management will also consider whether results from exploration work justify further investments, the confirmation of the interest of the Company in the mining claims, the ability of the Company to obtain the necessary financing to complete the future development or if the disposal of the properties for proceeds is in excess of their carrying value.

#### 2.13. Provisions, contingent liabilities and contingent assets

The Company is at the exploration stage. As none of its properties is at the production stage, no provision has been taken.

#### 2.14. Leases

Leases are classified as operating leases since the benefits and the risks related to the ownership are not transferred to the Company. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Related costs, such as maintenance and insurance, are expensed as incurred.

#### 2.15. Equity

Share capital represents the amount received on the issuance of shares, less share issue costs.

Contributed surplus includes charges related to share-based payment until the exercise of options issued as remuneration and it also includes warrants granted until the exercise of these warrants.

Deficit includes all current and prior period retained profits or losses.

#### 2.16. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through the profit and loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

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### 2. Summary of accounting policies (continued)

#### 2.16. Financial instruments (continued)

##### Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through the profit and loss;
- held-to-maturity investments;
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in the income statement or in other comprehensive income.

All financial assets, except for those at fair value through the income statement, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in the income statement are presented within administrative expenses or other income.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company has no financial assets in this category.

##### *Financial assets at fair value through the profit and loss*

Financial assets at fair value through the profit and loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through the profit and loss upon initial recognition. The Company has no financial asset in this category.

Assets in this category are measured at fair value with gains or losses recognized in the income statement.

##### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of net loss. The Company has no financial assets in this category.

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

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### 2. Summary of accounting policies (continued)

#### 2.16. Financial instruments (continued)

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company has no financial assets in this category.

##### **Financial liabilities**

The Company's financial liabilities include accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through the profit and loss that are carried subsequently at fair value with gains or losses recognized in the statement of net loss.

If applicable, all interest-related charges and changes in an instrument's fair value that are recognized in the statement of net loss and comprehensive loss are included within financial revenue or administrative costs.

#### 2.17. Accounting estimates and critical judgments

The preparation of financial statements requires management to make estimates, assumptions and judgments with respect to future events. These estimates and judgments are constantly challenged. They are based on past experience and other factors, in particular, forecasts of future events that are reasonable in the circumstances. The actual results are likely to differ from the estimates, assumptions and judgments made by management, and will seldom equal the estimated results. The following paragraphs describe:

- The most critical management estimates and assumptions in the recognition and measurement of assets, liabilities and expenses;
- The most critical management judgments in applying accounting policies.

##### *Impairment of assets*

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its fair value. Management reviews on a regular basis the impairment assessment of its Mining assets without a recovery test. (Note 2.12)

##### *Share-based payments*

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of options, the time of exercise of those options and expected extinguishments. The model used by the Company is the Black-Scholes model.

##### *Income taxes and deferred mining taxes*

The Company is subject to taxes from different tax jurisdictions. It maintains allowances for uncertain tax positions that, in its opinion, appropriately reflect the risks related to the tax positions subject to discussions, audits, differences of opinion and appeals with the tax authorities or that are otherwise uncertain. These allowances are determined using best estimates of the amount payable based on a qualitative assessment of all relevant information. These allowances are reassessed at the end of each financial reporting period to determine if the amount is sufficient. However, audits by the tax authorities could subsequently result in an additional liability.

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 3. Cash and cash equivalents and cash reserved for exploration

As at September 30, 2011, the cash and the cash equivalents and the cash reserved for exploration include six banker's acceptances, an account bearing a high interest rate and an account without interest as detailed below:

	Septembre 30, 2011			December 31, 2010		
	\$	Interest rate	Maturity date	\$	Interest rate	Maturity date
1) Banker's acceptance	307,046	0.937%	2011-10-11	200,314	0.956%	2011-01-05
2) Banker's acceptance	350,346	0.917%	2011-11-16	701,231	1.096%	2011-03-14
3) Banker's acceptance	510,831	1.300%	2011-10-06	-	-	-
4) Banker's acceptance	203,975	1.098%	2011-10-04	-	-	-
5) Banker's acceptance	350,759	1.004%	2011-10-25	-	-	-
6) Banker's acceptance	353,567	0.990%	2011-11-14	-	-	-
7) Account bearing a high interest	734,727	1.200%	-	867,800	1.200%	-
8) Account without interest	107,888	-	-	2,409,816	-	-
9) Bond	-	-	-	308,946	1.497%	2011-02-16
10) Bond	-	-	-	204,068	1.250%	2011-02-28
<b>Total</b>	<b>2,919,139</b>			<b>4,692,175</b>		

	September 30, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Cash	842,615	3,277,616	578,218
Banker's acceptances	2,076,524	901,545	399,920
Bonds	-	513,014	700,419
	<b>2,919,139</b>	<b>4,692,175</b>	<b>1,678,557</b>
Less: Cash reserved for exploration	-	(1,260,000)	(194,426)
<b>Cash and cash equivalents</b>	<b>2,919,139</b>	<b>3,432,175</b>	<b>1,484,131</b>

### 4. Receivables

	September 30, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Credit on duties refundable and refundable tax credit for resources	561,406	331,291	274,359
Commodity taxes and others	165,366	87,249	68,251
	<b>726,772</b>	<b>418,540</b>	<b>342,610</b>

### 5. Property, plant and equipment

	September 30, 2011			December 31, 2010		
	Cost	Accumulated Depreciation	Net book Value	Cost	Accumulated Depreciation	Net book Value
	\$	\$	\$	\$	\$	\$
Leasehold improvements	62,681	4,671	58,010	51,730	34,561	17,169
Furniture and equipment	34,903	11,449	23,453	13,173	8,358	4,815
	<b>97,584</b>	<b>16,121</b>	<b>81,463</b>	<b>64,903</b>	<b>42,919</b>	<b>21,984</b>

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 6. Mining properties

	December 31, 2010	Additions	Refund Reclassification	Write-off	September 30, 2011
	\$	\$	\$	\$	\$
<b>Properties</b>					
Preissac	412,963	-	-	-	412,963
MacCormack	252,367	-	-	-	252,367
Rambull	214,607	-	-	-	214,607
Newconex West	214,408	-	-	-	214,408
Rivière Doré	102,864	-	-	-	102,864
Dieppe-Collet	71,935	-	-	-	71,935
Cadillac Extension	50,528	6,464	-	-	56,992
Dollier	39,631	-	-	-	39,631
La Pause	8,612	-	-	-	8,612
Diego	4,574	-	-	-	4,574
	1,372,489	6,464	-	-	1,378,953

	January 1, 2010	Additions	Refund Reclassification	Write-off	December 31, 2010
	\$	\$	\$	\$	\$
<b>Properties</b>					
Preissac	412,963	-	-	-	412,963
MacCormack	252,367	-	-	-	252,367
Rambull	172,224	-	42,383	-	214,607
Newconex West	309,723	-	(43,151)	(52,164)	214,408
Rivière Doré	56,396	46,468	-	-	102,864
Dieppe-Collet	71,935	-	-	-	71,935
Cadillac Extension	24,568	14,716	11,244	-	50,528
Dollier	40,723	-	(1,092)	-	39,631
La Pause	8,612	-	-	-	8,612
Diego	3,484	1,090	-	-	4,574
DeCorta	11,244	-	(11,244)	-	-
Manneville	6,550	-	-	(6,550)	-
	-	1,898	-	(1,898)	-
	1,370,789	64,172	(1,860)	(60,612)	1,372,489

The Company holds a 100% interest in 10 active mining properties that are all located in the northwestern region of Quebec. The properties of MacCormack, Preissac, Newconex Ouest and Rambull, as well as the Xstrata-Option Property, cover more than 48 kilometers on the eastern extension of the Destor-Porcupine fault.

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 remain 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.

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;
- the right to purchase or treat concentrate produced from the Xstrata-Option Property.

As at September 30, 2011, the Company had incurred total exploration costs of \$922,386, before tax credits, on the Xstrata-Option Property.



# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 7. Deferred exploration costs

	December 31, 2010	Additions	Reclassification	Write-off	Tax credits	September 30, 2011
<b>Properties</b>	\$	\$	\$	\$	\$	\$
MacCormack	1,693,644	20,516	-	-	(1,379)	1,712,781
Rivière Doré	497,054	-	-	-	-	497,054
Preissac	408,024	4,699	-	-	(132)	412,591
Rambull	403,254	6,451	-	-	(2,049)	407,656
Dollier	376,470	611,699	-	-	(68,405)	919,764
Xstrata-Option	354,821	488,849	-	-	(20,971)	822,699
Newconex West	333,492	551	-	-	-	334,043
Cadillac Extension	258,667	478,343	-	-	(47,102)	689,908
Dieppe-Collet	146,135	198	-	-	-	146,333
La Pause	122,980	621	-	-	-	123,601
Diego	104,943	295,166	-	-	(73,501)	326,608
Other	-	34,496	-	-	(9,509)	24,987
	4,699,484	1,941,589	-	-	(223,048)	6,418,025

  

	January 1, 2010	Additions	Reclassification	Write-off	Tax credits	December 31, 2010
<b>Properties</b>	\$	\$	\$	\$	\$	\$
MacCormack	1,437,817	325,060	-	-	(69,233)	1,693,644
Rivière Doré	122,116	434,561	-	-	(59,623)	497,054
Preissac	382,268	29,564	-	-	(3,808)	408,024
Rambull	295,672	15,502	94,111	-	(2,031)	403,254
Dollier	161,367	256,032	-	-	(40,929)	376,470
Xstrata-Option	150,499	240,584	-	-	(36,262)	354,821
Newconex West	427,416	4,563	(94,111)	(4,376)	-	333,492
Cadillac Extension	87,853	153,671	42,490	-	(25,347)	258,667
Dieppe-Collet	144,991	1,144	-	-	-	146,135
La Pause	120,004	3,174	-	-	(198)	122,980
Diego	10,393	110,624	-	-	(16,074)	104,943
Manneville	42,899	-	-	(42,899)	-	-
De Corta	42,490	-	(42,490)	-	-	-
Other	-	2,372	-	(2,372)	-	-
	3,425,785	1,576,851	-	(49,647)	(253,505)	4,699,484

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 8. Share capital

Authorized

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

	Number	Amount
		\$
<b>January 1, 2010</b>	25,526,183	6,441,740
Shares issued		
Public offering (short-form offering document)	557,143	127,864
Public offering flow-through common shares (short-form offering document )	1,250,000	565,893
Acquisition of a property	100,000	35,000
Renouncement of tax deductions (a)	-	(356,752)
Private placements	7,795,406	2,021,319
Flow-through private placements	2,520,000	1,296,409
Warrants exercised	794,728	299,298
Stock options exercised	37,500	15,355
	13,054,777	4,004,386
Share issue expenses	-	(611,029)
	13,054,777	3,393,357
<b>December 31, 2010</b>	38,580,960	9,835,097
<b>December 31, 2010</b>	38,580,960	9,835,097
Shares issued		
Warrants exercised	3,331,087	1,254,742
Stock options exercised	155,000	82,449
<b>September 30, 2011</b>	42,067,047	11,172,288
<b>Shares to be issued</b>		
	Number	Amount
		\$
<b>December 31, 2010</b>	893,319	341,248
Shares issued	(893,319)	(341,248)
<b>September 30, 2011</b>	-	-

During the period, the Company issued 3,331,087 shares following the exercise of warrants for an amount of \$735,848 and 155,000 shares following the exercise of stock options for an amount of \$48,050.

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 8. Share capital (continued)

#### Stock Option Purchase Plan

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.

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

	Number	Weighted average exercise price \$
<b>December 31, 2010</b>		
Issued	2,402,500	0.42
Exercised	775,000	0.44
Cancelled	(155,000)	0.30
	(237,500)	0.51
<b>September 30, 2011</b>	<b>2,785,000</b>	<b>0.42</b>
<b>Exercisable September 30, 2011</b>	<b>2,165,000</b>	<b>0.42</b>

The following table summarizes certain information for stock options granted and exercisable as at September 30, 2011:

Exercise price	Outstanding options September 30, 2011			Exercisable options September 30, 2011		
	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	2.16	0.16	100,000	2.16	0.16
\$0.25 to \$0.34	380,000	1.80	0.25	380,000	1.80	0.25
\$0.35 to \$0.44	705,000	3.76	0.38	591,250	3.55	0.37
\$0.45 to \$0.54	1,450,000	2.63	0.49	943,750	1.56	0.51
\$0.55 to \$0.64	150,000	1.18	0.62	150,000	1.18	0.62
<b>\$0.16 to \$0.64</b>	<b>2,785,000</b>	<b>2.71</b>	<b>0.42</b>	<b>2,165,000</b>	<b>2.14</b>	<b>0.42</b>

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 8. Share capital (continued)

#### Warrants

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

	September 30, 2011			December 31, 2010		
	Number	Weighted average exercise price	Weighted average remaining contractual life	Number	Weighted average exercise price	Weighted average remaining contractual life
<b>Outstanding - Beginning</b>	<b>11,451,397</b>	<b>\$ 0.44</b>	<b>1.46</b>	4,199,412	0.32	1.32
Granted - public offering short-form offering document	-	-	-	557,143	0.50	1.48
Granted - agent compensation options	-	-	-	751,437	0.37	1.76
Granted - private placements	-	-	-	7,795,406	0.49	1.52
Exercised	<b>(2,437,768)</b>	<b>0.30</b>	<b>0.29</b>	(1,688,047)	0.34	-
Expired	-	-	-	(163,954)	0.35	-
<b>Outstanding - End</b>	<b>9,013,629</b>	<b>0.48</b>	<b>1.08</b>	11,451,397	0.44	1.46

The outstanding warrants are as follows:

Maturity date	Exercise price	Number
	\$	
May 2012	0.45	557,143
June 2012	0.45	1,657,170
December 2012	0.38	661,080
December 2012	0.50	6,138,236
		<b>9,013,629</b>

### 9. Contributed surplus

<b>Beginning - December 31, 2010</b>	\$ 2,617,789
Warrants granted during the period	(177,646)
Share-based payment	126,233
Exercised options	(34,399)
<b>End - September 30, 2011</b>	<b>2,531,977</b>

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 10. Cash flows

Additional information

	Three-month period ended	
	September 30, 2011	September 30, 2010
	\$	\$
<b>Items not affecting cash and cash equivalents related to operating, financing and investing activities</b>		
Tax credits applied against deferred exploration costs	220,759	89,381
Shares issued for the acquisition of mining properties	-	35,000
Depreciation of property, plant and equipment transferred to deferred exploration costs	2,847	3,098
Deferred exploration costs included in accounts payables and accrued liabilities	5,310	130,631
Property, plant and equipment included in accounts payables and accrued liabilities	2,050	-
Share-based payment charged to deferred exploration costs	5,270	19,425
Fair value of stock options exercised	6,760	-

### 11. Instruments financiers

#### 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 the risk management policies are as follows:

##### Interest risk

The bonds bear interest at a fixed rate and consequently exposes 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 September 30, 2011, 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

##### Financial 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.

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 11. Financial instruments (continued)

#### Fair value of financial instruments

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.

#### Fair value hierarchy

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.

### 12. Commitments

The Company has some contractual obligations pursuant to various leases of equipment and vehicle. The Company has an obligation to pay a total amount of \$ 255,250 over the next five years. Minimum payments are as follows:

	\$
2011	21,072
2012	71,053
2013	54,375
2014	54,375
2015	54,375
	<u>255,250</u>

### 13. Related party transactions

	Three-month period ended		Nine-month period ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Furniture and equipment	\$ <u>2,100</u>	\$ -	\$ <u>4,100</u>	\$ -

The Company acquired furniture and equipment from one of its officers and from one of its directors. This transaction occurred within the normal course of business and was measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. As at September 30, 2011, no amount was included in the accounts payable and accrued liabilities.

### 14. Transition to IFRS

The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. These interim condensed financial statements were prepared as described in note 1, including the application of IFRS 1. The effect of the transition to IFRS on equity, comprehensive income and cash flows is presented and described in this note, and is explained in greater detail in the notes associated with the tables.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "transition date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the end of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adopters.

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 14. Transition to IFRS (continued)

#### Initial elections upon adoption:

Upon transition, IFRS 1 permits certain optional exemptions and dictates certain mandatory exceptions from full retrospective application. The Company applied mandatory exceptions and certain optional exemptions. The following exemptions and exceptions were adopted by the Company.

#### IFRS optional exemptions applied at the time of the transition

**Share-based payment** – IFRS 1 encourages, but does not require, the application of IFRS 2 “Share-based Payment” to equity instruments that were granted on or before November 7, 2002. A first-time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments that were granted after November 7, 2002 and vested before the date of transition. The Company has elected to apply IFRS 2 only to equity instruments that were granted before the date of transition but that were not entirely vested at that time.

#### IFRS mandatory exception at the time of the transition

**Estimates** – Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

#### Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company’s first time adoption of IFRS did not have an impact on the total operating, financing or investing cash flows. The following presents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity, the statement of net loss and comprehensive loss:

#### Reconciliation of Equity

For the periods ended:	December 31, 2010	September 30, 2010	January 1, 2010
	\$	\$	\$
Equity under Canadian GAAP	9,950,560	6,339,278	5,955,908
Impacts of the transition to IFRS:			
1. Share-based payment	(19,853)	(11,606)	-
2. Flow-through shares	(304,450)	(43,750)	(281,105)
<b>Total Equity under IFRS</b>	<b>9,626,257</b>	<b>6,283,922</b>	<b>5,674,803</b>

#### Reconciliation of the statement of net loss and comprehensive loss

For the periods ended:	December 31, 2010	September 30, 2010
	\$	\$
The statement of net loss and comprehensive loss under Canadian GAAP	(897,863)	(632,249)
Impacts of the transition to IFRS:		
1. Share-based payment	(5,838)	(13,102)
2. Flow-through shares	(75,647)	(75,647)
<b>The statement of net loss and comprehensive loss under IFRS</b>	<b>(979,348)</b>	<b>(720,998)</b>

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

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### 14. Transition to IFRS (continued)

#### Notes relating to reconciliations

In addition to the optional exemptions and mandatory exceptions discussed above, the following narratives explain the significant differences between the previous Canadian GAAP accounting policies and the current IFRS accounting policies applied by the Company. Only those differences that impact the Company as of the transition date are described below. The following is not a complete summary of all of the differences between Canadian GAAP and IFRS. Relative to the impacts on the Company, the descriptive caption next to each numbered item below corresponds to the same numbered and descriptive caption in the tables above, which reflect the quantitative impacts from each change. Unless a quantitative impact was noted below, the impact from the change was not material for the Company.

1. **Share-based payment** – As stated in the section entitled “IFRS optional exemptions applied at the time of the transition”, the Company has elected to apply IFRS 2 only to equity instruments that were granted before the date of transition but that were not entirely vested at that time.

#### *Recognition of expense*

**Canadian GAAP** – For grants of share-based payment with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

**IFRS** – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As a result, the Company adjusted its expense for share-based payment to reflect this difference in recognition.

#### *Forfeitures*

**Canadian GAAP** – Forfeitures of awards are recognized as they occur.

**IFRS** – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate.

On the transition date, the Company has increased its deficit by \$36,629 corresponding to the increase of the share-based payment expenses which were recorded before the transition date resulting in an increase of the contributed surplus by an equivalent amount. Thus, the effect on equity is nil.

2. **Flow-through shares** - The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Company recognizes a deferred tax liability for flow-through-shares and a deferred tax expense, when the eligible expenditures are incurred. The difference between the quoted price of the common shares and the amount the investors pay for the shares (the "premium") is recognized as flow-through-shares liability which is reversed when eligible expenditures have been incurred. The Company decreased its share capital by \$281,105 and increased its taxes related to flow-through shares by the same amount.

#### **Reconciliations of the financial statements previously presented under Canadian GAAP to the financial statements prepared under IFRS.**

The following are reconciliations of the financial statements previously presented under Canadian GAAP to the financial statements prepared under IFRS.



# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 14. Transition to IFRS (continued)

#### Reconciliation of the statement of financial position as at January 1, 2010

Canadian GAAP accounts	Canadian GAAP balance \$	IFRS adjustments \$	IFRS balance \$	IFRS accounts
<b>ASSETS</b>				<b>Assets</b>
<b>Current assets</b>				<b>Current assets</b>
Cash and cash equivalents	1,484,131	-	1,484,131	Cash and cash equivalents
Cash reserved for exploration	194,426	-	194,426	Cash reserved for exploration
Accounts receivables	342,610	-	342,610	Receivables
Prepaid expenses	17,050	-	17,050	Prepaid expenses
	2,038,217	-	2,038,217	
Property, plant and equipment	34,966	-	34,966	PROPERTY, PLANT AND EQUIPMENT
Mining properties	1,370,789	-	1,370,789	MINING PROPERTIES
Deferred exploration costs	3,425,785	-	3,425,785	DEFERRED EXPLORATION COSTS
	4,831,540	-	4,831,540	
	6,869,757	-	6,869,757	<b>TOTAL ASSETS</b>
<b>Liabilities</b>				<b>Liabilities</b>
<b>Current liabilities</b>				<b>Current liabilities</b>
Accounts payable and accrued liabilities	234,881	-	234,881	Accounts payables and accrued liabilities
	-	281,105	281,105	Liability related to flow-through shares
	234,881	281,105	515,986	
Future income taxes	678,968	-	678,968	DEFERRED INCOME AND MINING TAXES
	913,849	281,105	1,194,954	<b>TOTAL LIABILITIES</b>
<b>Shareholders' equity</b>				<b>EQUITY</b>
Capital stock	6,722,845	(281,105)	6,441,740	Share capital
Contributed surplus	1,384,964	36,629	1,421,593	Contributed surplus
Deficit	(2,151,901)	(36,629)	(2,188,530)	Deficit
	5,955,908	(281,105)	5,674,803	<b>TOTAL EQUITY</b>
	6,869,757	-	6,869,757	<b>TOTAL LIABILITIES AND EQUITY</b>

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 14. Transition to IFRS (continued)

#### Reconciliation of the statement of deferred exploration costs for the quarter ended September 30, 2010

Canadian GAAP accounts	Canadian GAAP balance \$	IFRS adjustments \$	IFRS balance \$	IFRS accounts
<b>Balance - Beginning of period</b>	<u>4,122,006</u>	<u>(5,203)</u>	<u>4,116,803</u>	<b>Balance - Beginning of period</b>
Expenses incurred during the period				Expenses incurred during the period
Geology	134,089	-	134,089	Geology
Geophysics	231,082	-	231,082	Geophysics
Drilling	1,365	-	1,365	Drilling
Stripping	106,476	-	106,476	Stripping
Exploration office expenses	12,210	-	12,210	Exploration office expenses
Geochemistry	554	-	554	Geochemistry
Geotechnics	28,116	-	28,116	Geotechnics
Core shack rental and maintenance	9,826	-	9,826	Core shack rental and maintenance
Duties, taxes and permits	2,834	-	2,834	Duties, taxes and permits
Depreciation of exploration equipment	3,098	-	3,098	Depreciation of exploration equipment
Stock-based compensation employees	7,272	(6,404)	868	Share-based payment employees
Stock-based compensation consultants	10,910	-	10,910	Share-based payment consultants
	<u>547,832</u>	<u>(6,404)</u>	<u>541,428</u>	
Tax credits	<u>(73,135)</u>	<u>-</u>	<u>(73,135)</u>	Tax credits
Net expenses during the period	<u>474,697</u>	<u>(6,404)</u>	<u>468,293</u>	Net expenses during the period
<b>Balance - End of period</b>	<u><u>4,596,703</u></u>	<u><u>(11,607)</u></u>	<u><u>4,585,096</u></u>	<b>Balance - End of period</b>

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 14. Transition to IFRS (continued)

#### Reconciliation of the statement of deferred exploration costs for the nine-month ended September 30, 2010

Canadian GAAP accounts	Canadian GAAP balance \$	IFRS adjustments \$	IFRS balance \$	IFRS accounts
<b>Balance - Beginning of period</b>	<u>3,425,785</u>	-	<u>3,425,785</u>	<b>Balance - Beginning of period</b>
Expenses incurred during the period				Expenses incurred during the period
Geology	346,759	-	346,759	Geology
Geophysics	391,771	-	391,771	Geophysics
Drilling	330,324	-	330,324	Drilling
Stripping	130,173	-	130,173	Stripping
Exploration office expenses	41,428	-	41,428	Exploration office expenses
Geochemistry	1,196	-	1,196	Geochemistry
Geotechnics	37,780	-	37,780	Geotechnics
Core shack rental and maintenance	28,454	-	28,454	Core shack rental and maintenance
Duties, taxes and permits	27,758	-	27,758	Duties, taxes and permits
Depreciation of exploration equipment	9,294	-	9,294	Depreciation of exploration equipment
Stock-based compensation employees	55,801	(11,607)	44,194	Share-based payment employees
Stock-based compensation consultants	16,293	-	16,293	Share-based payment consultants
	<u>1,417,031</u>	<u>(11,607)</u>	<u>1,405,424</u>	
Write-off of deferred exploration costs	(47,275)	-	(47,275)	Write-off of deferred exploration costs
Tax credits	<u>(198,838)</u>	-	<u>(198,838)</u>	Tax credits
Net expenses during the period	<u>1,170,918</u>	<u>(11,607)</u>	<u>1,159,311</u>	Net expenses during the period
<b>Balance - End of period</b>	<u>4,596,703</u>	<u>(11,607)</u>	<u>4,585,096</u>	<b>Balance - End of period</b>

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 14. Transition to IFRS (continued)

#### Reconciliation of statement of the net loss and comprehensive loss for the quarter ended September 30, 2010

Canadian GAAP accounts	Canadian GAAP balance \$	IFRS adjustments \$	IFRS balance \$	IFRS accounts
<b>Administrative expenses</b>				<b>Administrative expenses</b>
Salaries	51,376	-	51,376	Salaries
Consultants	18,728	-	18,728	Consultants
Stock-based compensation	33,890	7,200	41,090	Share-based payment employees
Professional fees	2,487	-	2,487	Professional fees
Rent	1,650	-	1,650	Rent
Business development	16,490	-	16,490	Business development
Insurance, taxes and permits	4,012	-	4,012	Insurance, taxes and permits
Interest and bank charges	290	-	290	Interest and bank charges
Depreciation of property, plant and equipment	148	-	148	Depreciation of property, plant and equipment
Stationery and office expenses	4,238	-	4,238	Stationery and office expenses
Telecommunications	1,774	-	1,774	Telecommunications
Training and travel	5,745	-	5,745	Training and travel
Advertising	10,792	-	10,792	Advertising
Shareholder information	6,852	-	6,852	Shareholder information
	158,472	7,200	165,672	<b>OPERATING LOSS</b>
<b>Other expenses (income)</b>				<b>Other expenses (income)</b>
Interest income	(755)	-	(755)	Interest income
Loss before income taxes	(157,717)	(7,200)	(164,917)	<b>LOSS BEFORE MINING AND INCOME TAXES</b>
Net loss and comprehensive loss	(157,717)	(7,200)	(164,917)	<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>
Basic and diluted net loss per share	(0.01)	-	(0.01)	<b>BASIC EARNINGS PER SHARE</b>
Weighted average number of shares outstanding	29,093,212	-	29,093,212	<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 14. Transition to IFRS (continued)

#### Reconciliation of statement of the net loss and comprehensive loss for the nine-month ended September 30, 2010

Canadian GAAP accounts	Canadian GAAP balance \$	IFRS adjustments \$	IFRS balance \$	IFRS accounts
<b>Administrative expenses</b>				<b>Administrative expenses</b>
Salaries	160,809	-	160,809	Salaries
Consultants	67,572	-	67,572	Consultants
Stock-based compensation	73,402	13,102	86,504	Share-based payment employees
Professional fees	34,719	-	34,719	Professional fees
Rent	6,236	-	6,236	Rent
Business development	81,673	-	81,673	Business development
Insurance, taxes and permits	10,815	-	10,815	Insurance, taxes and permits
Interest and bank charges	2,926	-	2,926	Interest and bank charges
Depreciation of property, plant and equipment	442	-	442	Depreciation of property, plant and equipment
Stationery and office expenses	14,726	-	14,726	Stationery and office expenses
Telecommunications	5,410	-	5,410	Telecommunications
Training and travel	15,995	-	15,995	Training and travel
Advertising	54,784	-	54,784	Advertising
Shareholder information	30,462	-	30,462	Shareholder information
	559,971	13,102	573,073	<b>OPERATING LOSS</b>
<b>Other expenses (income)</b>				<b>Other expenses (income)</b>
Write-off of mining properties	58,714	-	58,714	Write-off of mining properties
Write-off of deferred exploration costs	47,275	-	47,275	Write-off of deferred exploration costs
Interest income	(4,440)	-	(4,440)	Interest income
				<b>LOSS BEFORE MINING AND INCOME TAXES</b>
Loss before income taxes	661,520	13,102	674,622	
Future income taxes	(29,271)	75,647	46,376	Mining and income taxes
				<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>
Net loss and comprehensive loss	632,249	88,749	720,998	
Basic and diluted net loss per share	(0.02)	-	(0.03)	<b>BASIC EARNINGS PER SHARE</b>
Weighted average number of shares outstanding	27,141,657	-	27,141,657	<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 14. Transition to IFRS (continued)

#### Reconciliation of the statement of net loss and comprehensive loss for the year ended December 31, 2010

Canadian GAAP accounts	Canadian GAAP balance \$	IFRS adjustments \$	IFRS balance \$	IFRS accounts
<b>Administrative expenses</b>				<b>Administrative expenses</b>
Salaries	234,637	-	234,637	Salaries
Consultants	95,248	-	95,248	Consultants
Stock-based compensation-employees	90,897	5,838	96,735	Share-based payment employees
Stock-based compensation-consultant	16,438	-	16,438	Share-based payment consultant
Professional fees	76,679	-	76,679	Professional fees
Rent	6,600	-	6,600	Rent
Business development	130,929	-	130,929	Business development
Insurance, taxes and permits	17,961	-	17,961	Insurance, taxes and permits
Interest and bank charges	2,867	-	2,867	Interest and bank charges
Depreciation of property, plant and	589	-	589	Depreciation of property, plant and
Stationery and office expenses	22,439	-	22,439	Stationery and office expenses
Telecommunications	8,178	-	8,178	Telecommunications
Training and travel	50,690	-	50,690	Training and travel
Advertising	40,686	-	40,686	Advertising
Shareholder information	35,861	-	35,861	Shareholder information
	830,701	5,838	836,539	<b>OPERATING LOSS</b>
<b>Other expenses (income)</b>				<b>Other expenses (income)</b>
Write-off of mining properties	60,612	-	60,612	Write-off of mining properties
Write-off of deferred exploration costs	49,647	-	49,647	Write-off of deferred exploration costs
Management income	(4,225)	-	(4,225)	Management income
Interest income	(8,980)	-	(8,980)	Interest income
Loss before income taxes	(927,755)	(5,838)	(933,593)	<b>LOSS BEFORE MINING AND INCOME TAXES</b>
Future income taxes	(29,892)	75,647	45,755	Mining and income taxes
Net loss and comprehensive loss	<u>(897,863)</u>	<u>(81,485)</u>	<u>(979,348)</u>	<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>
Basic and diluted net loss per share	<u>(0.02)</u>	<u>-</u>	<u>(0.02)</u>	<b>BASIC EARNINGS PER SHARE</b>
Weighted average number of shares outstanding	<u>39,597,837</u>	<u>-</u>	<u>39,597,837</u>	<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 14. Transition to IFRS (continued)

#### Reconciliation of the statement of financial position as at December 31, 2010

Canadian GAAP accounts	Canadian GAAP balance \$	IFRS adjustments \$	IFRS balance \$	IFRS accounts
<b>ASSETS</b>				<b>Assets</b>
<b>Current assets</b>				<b>Current assets</b>
Cash and cash equivalents	3,432,175	-	3,432,175	Cash and cash equivalents
Cash reserved for exploration	1,260,000	-	1,260,000	Cash reserved for exploration
Accounts receivables	418,540	-	418,540	Receivables
Prepaid expenses	24,230	-	24,230	Prepaid expenses
	5,134,945	-	5,134,945	
Property, plant and equipment	21,984	-	21,984	PROPERTY, PLANT AND EQUIPMENT
Mining properties	1,372,489	-	1,372,489	MINING PROPERTIES
Deferred exploration costs	4,719,337	(19,853)	4,699,484	DEFERRED EXPLORATION COSTS
	6,113,810	(19,853)	6,093,957	
	11,248,755	(19,853)	11,228,902	<b>TOTAL ASSETS</b>
<b>Liabilities</b>				<b>Liabilities</b>
<b>Current liabilities</b>				<b>Current liabilities</b>
Accounts payable and accrued liabilities	236,363	-	236,363	Accounts payables and accrued liabilities
	-	304,450	304,450	Liability related to flow-through shares
	236,363	304,450	540,813	
Future income taxes	1,061,832	-	1,061,832	DEFERRED INCOME AND MINING TAXES
	1,298,195	304,450	1,602,645	<b>TOTAL LIABILITIES</b>
<b>Shareholders' equity</b>				<b>EQUITY</b>
Capital stock	10,063,900	(228,803)	9,835,097	Share capital
Capital stock to be issued	341,248		341,248	Share capital to be issued
Contributed surplus	2,595,176	22,613	2,617,789	Contributed surplus
Deficit	(3,049,764)	(118,113)	(3,167,877)	Deficit
	9,950,560	(324,303)	9,626,257	<b>TOTAL EQUITY</b>
	11,248,755	(19,853)	11,228,902	<b>TOTAL LIABILITIES AND EQUITY</b>

# Cartier Resources Inc.

(an exploration company)

## Notes to Financial Statements

Nine-month periods ended September 30, 2011 and 2010 (Unaudited)

### 14. Transition to IFRS (continued)

#### Reconciliation of the statement of deferred exploration costs for the year ended December 31, 2010

Canadian GAAP accounts	Canadian GAAP balance \$	IFRS adjustments \$	IFRS balance \$	IFRS accounts
<b>Balance - Beginning of period</b>	3,425,785	-	3,425,785	<b>Balance - Beginning of period</b>
Expenses incurred during the period				Expenses incurred during the period
Geology	444,450	-	444,450	Geology
Geophysics	414,047	-	414,047	Geophysics
Drilling	334,047	-	334,047	Drilling
Stripping	140,898	-	140,898	Stripping
Exploration office expenses	54,883	-	54,883	Exploration office expenses
Geotechnics	37,780	-	37,780	Geotechnics
Geochemistry	2,690	-	2,690	Geochemistry
Core shack rental and maintenance	36,272	-	36,272	Core shack rental and maintenance
Duties, taxes and permits	33,902	-	33,902	Duties, taxes and permits
Depreciation of exploration equipment	12,392	-	12,392	Depreciation of exploration equipment
Stock-based compensation employees	85,343	(19,853)	65,490	Share-based payment employees
	1,596,704	(19,853)	1,576,851	
Write-off of deferred exploration costs	(49,647)	-	(49,647)	Write-off of deferred exploration costs
Tax credits	(253,505)	-	(253,505)	Tax credits
	1,293,552	(19,853)	1,273,699	
<b>Net expenses during the period</b>	<b>1,293,552</b>	<b>(19,853)</b>	<b>1,273,699</b>	<b>Net expenses during the period</b>
<b>Balance - End of period</b>	<b>4,719,337</b>	<b>(19,853)</b>	<b>4,699,484</b>	<b>Balance - End of period</b>

### 15. Approval of Financial Statements

The interim condensed financial statements for the period ended September 30, 2011 were approved by the Board of Directors on November 23, 2011.