

## **Cartier Resources Inc.**

Management's Discussion and Analysis  
For the year ended December 31, 2010

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The objective of this Management's Discussion and Analysis Report ("MD&A") released by Cartier Resources Inc. (the "Company" or "Cartier") is to allow the reader to assess our operating and exploration results as well as our financial position for the year ended December 31, 2010, compared to the previous fiscal year. This report, dated April 19, 2011, should be read in conjunction with the audited financial statements for the years ended December 31, 2010 and 2009, as well as with the accompanying notes. The financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company discloses, on a regular basis, additional information on its operations, which is recorded on the System for Electronic Document Analysis and Retrieval ("SEDAR") in Canada at [www.sedar.com](http://www.sedar.com).

### **FORWARD-LOOKING STATEMENTS**

This document may contain forward-looking statements that reflect management's current expectations with regards to future events. Such forward-looking statements are subject to certain factors and involve a number of risks and uncertainties. Actual results may differ from expected results. Factors that could cause our results, our operations and future events to change materially compared to expectations expressed or implied by the forward-looking statements include, but are not limited to, volatility in the gold price, risks inherent to the mining industry, uncertainty regarding the mineral resource estimation and additional funding requirements and the Company's ability to obtain such funding.

### **INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN**

The Company was incorporated under Part 1 A 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. 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.

The shares of the Company are listed on the TSX Venture Exchange and are traded under the symbol ECR.

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### HIGHLIGHTS OF 2010

#### 1. Financings totalling \$4,917,540, distributed as follows:

- May 19, 2010 – a short form offering document for \$745,000
- June 15, 2010 – a private placement for \$580,010
- December 14, 2010 – a private placement for \$3,092,540
- December 22, 2010 – two private placements totalling \$499,990

#### 2. Option granted for the Rivière-Doré property

On October 28, 2010, the Company signed a Letter of Intent with Copper One Inc. granting an option to acquire up to 75% of the Rivière-Doré property. The definitive agreement was signed on January 18, 2011.

#### 3. Exploration work

During the year ended December 31, 2010, exploration expenditures amounted to \$1,596,704, consisting mainly of geology work totalling \$444,450, geophysical work totalling \$414,047, and drilling work totalling \$334,047.

The Company was active on eleven properties. The main exploration-related activities were as follows:

- Rivière Doré: Signing of a Letter of Intent granting Copper One Inc. an option to acquire up to 75% of the property; the definitive option and joint venture agreement with Copper One Inc. was signed on January 18, 2011.
- Dollier: Recognition of the main gold structure over more than 2 kilometres.
- Diego: Discovery of a widespread gold mineralized system.
- MacCormack: Discovery of two massive sulphide lenses (Cu-Zn-Ag-Au) with grades of **4.81% Zn, 0.41% Cu, 28.70 g/t Ag and 0.27 g/t Au over 1.30 metres, including 11.50% Zn, 1.24% Cu, 65.10 g/t Ag and 0.29 g/t Au over 0.40 metre (Drilling December 2009, results 2010).**
- Xstrata-Option: **Drilling on the western** extension of a massive sulphide horizon, discovered on the MacCormack property to the east, with hole XTA-10-01 returning: **0.51% Cu, 0.49% Zn and 7.46 g/t Ag over 1.20 metres including: 1.29% Cu, 0.67% Zn, 17.20 g/t Ag and 0.20 g/t Au over 0.40 metre.**
- Preissac: Discovery of a rhyolitic dome more than 200 metres wide with anomalous copper and zinc, and tracing of the extension of a gold-bearing fault system.
- Cadillac Extension: Channel sampling by Cartier on the mineralized zone yielding grades up to **1,162.0 g/t Ag and 1.40 g/t Au over 0.6 metre, 106 g/t Ag, 0.39 g/t Au and 0.43% Cu over 7.70 metres, and 181 g/t Ag, 4.17 g/t Au and 0.53% Pb over 1.60 metres.**

The activities in 2010 helped advance the various discoveries made by Cartier during the past two years on its MacCormack, Xstrata-Option, Dollier, Cadillac Extension and Rivière Doré projects. Cartier currently has a variety of quality drill targets that will be tested during 2011.

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### EXPLORATION ACTIVITIES

#### MacCormack Property

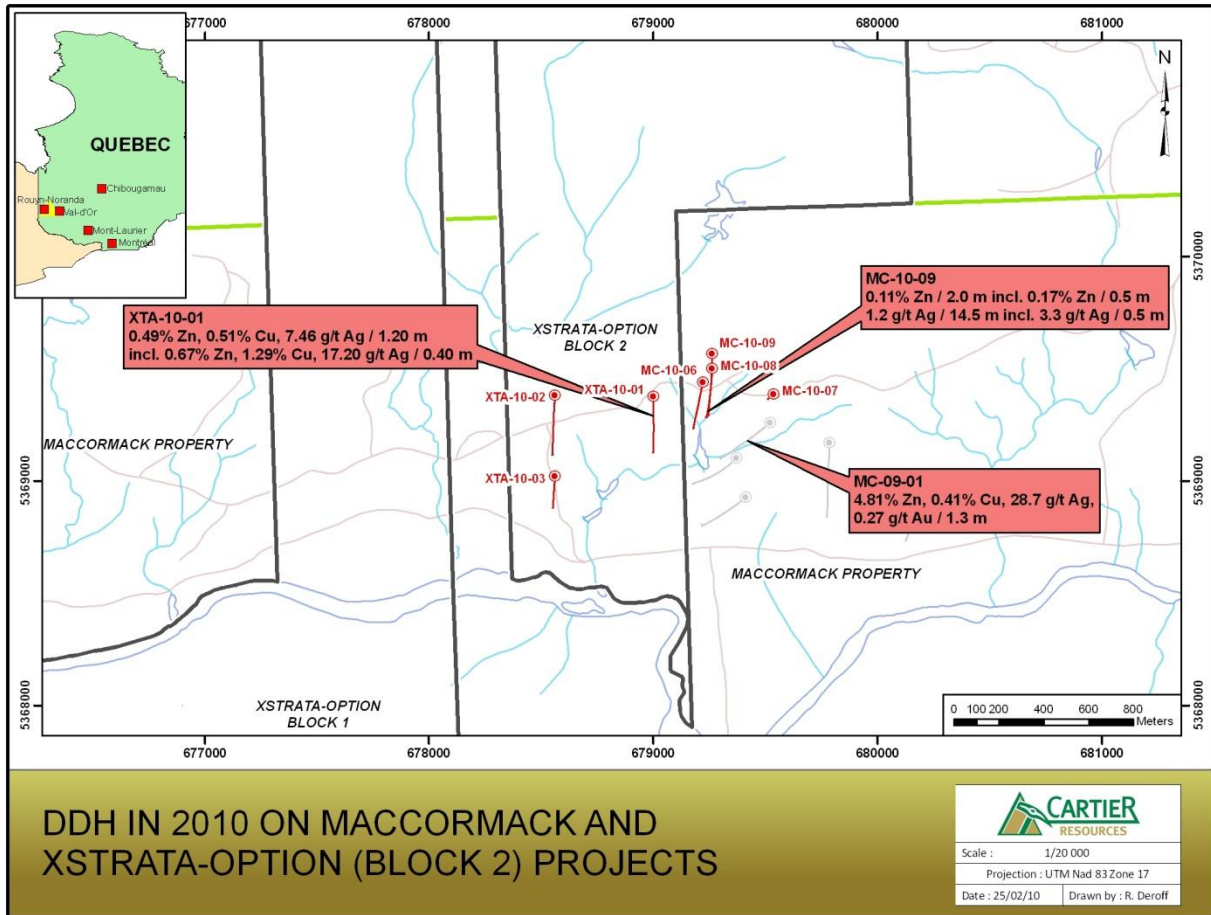
Four new holes were drilled at MacCormack for a total of 1,609 metres. The holes targeted a base metal horizon (Cu-Zn-Ag-Au) north of the gold-bearing dykes. The work in 2010 led to the discovery of two massive sulphide lenses (Cu-Zn-Ag-Au) with grades of **4.81% Zn, 0.41% Cu, 28.70 g/t Ag and 0.27 g/t Au over 1.30 metres, including 11.50% Zn, 1.24% Cu, 65.10 g/t Ag and 0.29 g/t Au over 0.40 metre (Drilling December 2009, results 2010).**

The drilling program led to the discovery of:

- a massive sulphide horizon with high-grade zinc, copper, silver and gold that extends for more than 2 kilometres;
- gold enrichment in the uppermost part of the brecciated rhyolite, and;
- a widespread alteration system, typical of world-class deposits of this type.

The compilation of results led to a better understanding of the mineralizing system, including the locations of synvolcanic faults. New and more refined targets will be drilled in 2011.

<b>MacCormack Property: drilling carried out in 2010</b>				
<b>Hole No.</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>Total (metres)</b>
MC-10-06	392			392
MC-10-07		66		66
MC-10-08		402		402
MC-10-09			749	749
<b>Total</b>				<b>1 609</b>



**Figure 1: Holes drilled on the MacCormack and Xstrata-Option (Block 2) properties in 2010**

### Xstrata-Option Property

Three drill holes (XTA-10-01, 02 and 03) were completed on Block 2 of the Xstrata-Option property for a total of 994 metres (see Figure 1). Drilling led to the discovery of the western extension of a massive sulphide horizon already discovered on the MacCormack property to the east. Drill hole XTA-10-01 returned: **0.51% Cu, 0.49% Zn and 7.46 g/t Ag over 1.20 metres including: 1.29% Cu, 0.67% Zn, 17.20 g/t Ag and 0.20 g/t Au over 0.40 metre.** Downhole geophysical surveys were performed in the first two drill holes.

An induced polarization survey of 25.2 kilometres was carried out on Block 1 south of the river, and the overburden was stripped in five areas. The stripped areas revealed a new massive sulphide lens (Py-Po-Cp-Sp) associated with one of the southern rhyolites. The lens is 1.5 metres thick and could be traced for more than 30 metres. It consists mainly of pyrite with some sphalerite and chalcopyrite. This new mineralized horizon is a first order drill target that may result in the discovery of a polymetallic massive sulphide zone.

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On Block 3, the re-examination of drill core produced by the company Queenston Gold Mines Ltd revealed gold-bearing zones identical to the North Dyke system on the MacCormack property, as well as the presence and location of a rhyolitic dome about 200 metres thick, anomalous in copper and zinc.

The work carried out during the year met the expenditure requirements for the second year of the agreement with Xstrata Zinc.

<b><i>Xstrata-Option Property, Block 2: drilling carried out in the first quarter of 2010</i></b>				
<b><i>Hole No.</i></b>	<b><i>January</i></b>	<b><i>February</i></b>	<b><i>March</i></b>	<b><i>Total (metres)</i></b>
<i>XTA-10-01</i>	419			419
<i>XTA-10-02</i>	356			356
<i>XTA-10-03</i>		219		219
<b><i>Total</i></b>				<b>994</b>

### **Preissac Properties**

The Company recovered core from 8 holes drilled by Queenston Gold Mines Ltd in 1986 and 1987, six of which are on claims of the Preissac property and the other two on Block 3 of Xstrata-Option.

The examination and re-analysis of the drill core are revealed gold-bearing zones identical to the North Dyke system on the MacCormack property and also demonstrated the presence of a rhyolitic dome approximately 200 metres thick and anomalous in copper and zinc.

### **Dollier Property**

Work during the 2010 year consisted of mapping, five areas of overburden stripping, as well as 22 kilometres of induced polarization (IP). This work confirmed the extension of the gold-bearing shear zone over more than 2 kilometres. The gold-bearing sulphide mineralization is associated with mylonitized porphyritic dykes; channels yielded: 3.85 g/t Au over 3.2 metres including 9.17 g/t Au over 1.1 metres, as well as 7.94 g/t Au over 1.0 metre and 7.08 g/t Au over 1.0 metre. The recognition of an association between gold and sulphides provided better control in locating enriched zones for testing with drilling.

The IP survey traced the extensions of the gold zones over more than 2 kilometres. The gold potential of the main structure was demonstrated by many anomalous gold values, eleven of which were above 0.5 g/t Au (0.88 g/t Au over 3.2 m), and two above 1.0 g/t Au (2.1 g/t Au over 1.1 m).

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This work defined the control on gold mineralization and outlined gold-enriched zones along the structure. A 4,000-metre drilling program was recommended.

### **Diego Property**

The property covers a regional shear zone at the contact between volcanic and sedimentary rocks. Numerous altered and gold-mineralized felsic intrusions are present in the deformation zone. This context of gold mineralization is very similar to that of the Malartic Camp. Map staked cells were added several times during the year, bringing the property total to 88 cells for a total area of 4,906 hectares.

Prospecting and sampling was conducted over about 10 days during the month of June. Prospecting and compilation work for this property delineated gold-enriched areas representing first order targets for a future drilling program.

Assay results demonstrated the gold potential in the northern part of the intrusion, with several grades ranging from 1.0 to 4.8 g/t Au for grabs and channel samples. These results clearly establish the presence of a gold system in an untested area of the property.

Compilation work revealed a widespread gold-mineralized system. The intrusion hosting the gold mineralization was observed over several hundred metres.

### **Rivière Doré Property**

Cartier acquired by staking the entire anorthositic intrusion with copper-nickel potential. Map staked cells were added several times, one time involving the 100% acquisition of 36 cells of the Lac Landron property, contiguous to Rivière Doré (press release of March 3, 2010). The property currently comprises 1,008 cells for a total surface area of 58,455 hectares.

On January 18, 2011, Cartier concluded a definitive option and joint venture agreement with Copper One Inc. for the Rivière Doré copper-nickel property. According to the terms of the agreement, Copper One can acquire a 51% undivided interest in the Rivière Doré property by incurring exploration expenditures of \$5,000,000 before December 31, 2015, including a firm engagement of \$750,000 before December 31, 2011. In addition, Copper One will pay Cartier the amount of \$250,000 and will issue 350,000 common shares of Copper One. Upon exercising the initial option, Copper One may exercise an additional option to acquire a further 24% interest in the property by completing a definitive feasibility study or by making further exploration expenditures totalling \$20,000,000 by December 31, 2020.

In 2010, the Company completed a helicopter-borne geophysical survey of 3,764 kilometres, followed by two weeks of prospecting on conductors in the centre of the property to better define any conductors representing a favourable contact in terms of Cu-Ni mineralization. This included lithochemical sampling to improve the geological understanding of the area, and a till sampling program (54 samples) north of the Cu-Ni mineralized boulders.

Prospecting work yielded samples from several conductors and also revealed pyroxenite dykes mineralized with **copper, palladium-platinum and gold**. Samples submitted for analysis graded

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up to **1.54% copper (Cu) and 0.14 g/t palladium (Pd)**. This latter discovery is 10 kilometres northwest of the original discovery at the Lac Bruges showing (1.0% Cu over 6.0 m in channels).

At least 6 exposed copper (>0.1%) showings are known on the property after reconnaissance of only 40% of its surface by preliminary prospecting work.

### **Cadillac Extension Property**

The focus of this property is the Langlade metamorphosed polymetallic (gold-silver-copper-zinc) volcanogenic sulphide deposit discovered in 1993 by the company Cominco. Channel samples from previously stripped areas yielded 16.00% Zn, 4.20% Cu, 38.00 g/t Ag and 0.44 g/t Au over 1.10 metres, and drilling yielded 2.45% Cu and 13.00% Zn over 1.00 metre.

In 2010, the Company began a geological and geophysical compilation of Cominco's work. Samples were collected along the extension of the Langlade mineralized zone during prospecting work about one hundred metres north of the zone. Many sites with geochemical and geophysical signatures similar to Langlade were identified elsewhere on the property and constitute future targets.

Prospecting over the rest of the property revealed a major deformation zone that may represent the extension of the Cadillac Fault. Sampling proved that the Langlade area hosts significant gold and silver values associated with copper and zinc zones, and demonstrated good widths and lateral continuity for the mineralization. The results of channel samples returned up to **1,162.0 g/t Ag and 1.40 g/t Au over 0.6 metre, 106 g/t Ag, 0.39 g/t Au and 0.43% Cu over 7.70 metres, and 181 g/t Ag, 4.17 g/t Au and 0.53% Pb over 1.60 metres.**

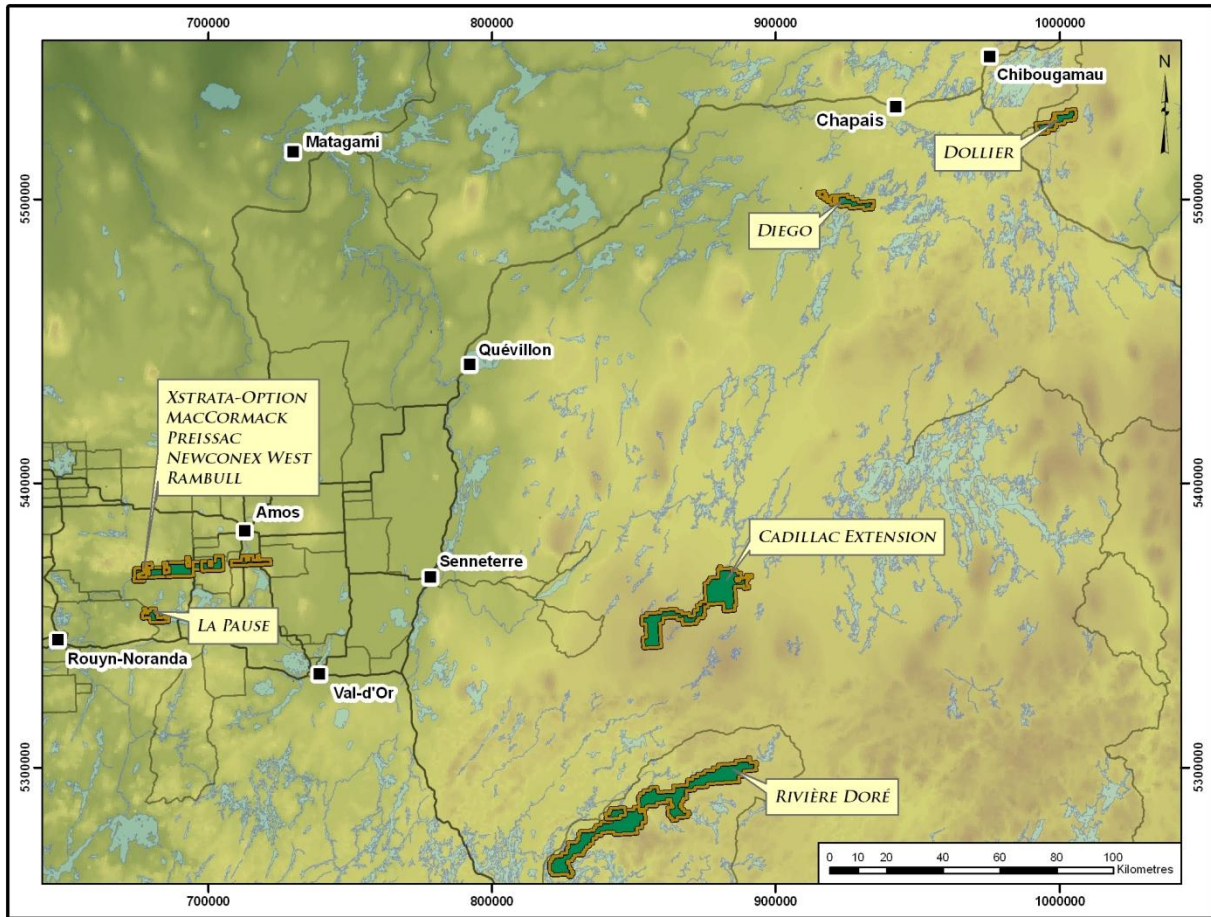
### **Rambull, Newconex West, La Pause, Dieppe-Collet Properties**

No major work was performed on these properties during the 2010 year.

### **Manneville Property**

The Company completed its compilation of geoscientific data and earlier drilling results. The Company's management decided not to proceed with exploration work on the property. Consequently, the Company has written-off this property for an amount of \$6,550, plus an amount of \$42,899 for exploration expenditures incurred on the property.





**Figure 2: Property locations**

To obtain more detailed information on any of the Company's mining properties, please visit the Company's web site at [www.ressourcescartier.com](http://www.ressourcescartier.com) and access the "Projects" section.

#### **4. Financial results**

Since the Company only has exploration properties, its revenues are primarily comprised of interest income, which is insufficient to cover the administrative expenses, thus leading to a loss for the Company. In the course of the year ended December 31, 2010, the Company recorded a loss of \$897,863 compared to \$795,954 for the year ended December 31, 2009.



**EXPLORATION ACTIVITIES**

**Deferred Exploration Costs**

	<b>December 31, 2010 \$</b>	<b>December 31, 2009 \$</b>
<b>Balance – Beginning of year</b>	<b>3,425,785</b>	<b>2,017,010</b>
<b>Expenses incurred</b>		
<b>Drilling</b>	334,047	406,660
<b>Geology</b>	444,450	440,265
<b>Geophysics</b>	414,047	132,211
<b>Stripping</b>	140,898	163,128
<b>Geochemistry</b>	2,690	211,226
<b>Geotechnical</b>	37,780	78,013
<b>Core shack rental and maintenance</b>	36,272	37,711
<b>Office expenses</b>	54,883	67,792
<b>Duties, taxes and permits</b>	33,902	16,475
<b>Depreciation of exploration equipment</b>	12,392	12,392
<b>Stock-based compensation employees</b>	85,343	46,791
<b>Stock-based compensation consultants</b>	-	897
	1,596,704	1,613,561
<b>Net expenses write-off deferred exploration costs</b>	(49,647)	(94,314)
<b>Tax credits</b>	(253,505)	(110,472)
<b>Net expenses</b>	<b>1,293,552</b>	<b>1,408,775</b>
<b>Balance – End of year</b>	<b>4,719,337</b>	<b>3,425,785</b>

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Summary of exploration work by property for the year ended December 31, 2010:

	<b>Balance at December 31, 2009</b>	<b>Exploration incurred in the year</b>	<b>Reclassi- fication</b>	<b>Write-off</b>	<b>Tax credits</b>	<b>Balance at December 31, 2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
MacCormack	1,437,817	326,649	-	-	(69,233)	1,695,233
Preissac	382,268	29,564	-	-	(3,808)	408,024
Newconex West	427,416	4,563	(94,111)	(4,376)	-	333,492
Rambull	295,672	15,502	94,111	-	(2,031)	403,254
Dieppe- Collet	144,991	1,144	-	-	-	146,135
Dollier	161,367	262,782	-	-	(40,929)	383,220
Diego	10,393	115,190	-	-	(16,074)	109,509
La Pause	120,004	3,174	-	-	(198)	122,980
Rivière Doré	122,116	434,561	-	-	(59,623)	497,054
Cadillac Extension	87,853	160,619	42,490	-	(25,347)	265,615
Xstrata- Option	150,499	240,584	-	-	(36,262)	354,821
DeCorta	42,490	-	(42,490)	-	-	-
Manneville	42,899	-	-	(42,899)	-	-
Others	-	2,372	-	(2,372)	-	-
<b>TOTAL</b>	<b>3,425,785</b>	<b>1,596,704</b>	<b>-</b>	<b>(49,647)</b>	<b>(253,505)</b>	<b>4,719,337</b>

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Summary of exploration work by property for the year ended December 31, 2009:

	<b>Balance at December 31, 2008</b>	<b>Exploration incurred in the year</b>	<b>Reclassi- fication</b>	<b>Write-off</b>	<b>Tax credits</b>	<b>Balance at December 31, 2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
MacCormack	913,052	580,670	-	-	(55,905)	1,437,817
Preissac	319,324	62,994	-	-	(50)	382,268
Newconex West	367,691	59,784	-	-	(59)	427,416
Rambull	141,598	173,991	-	-	(19,917)	295,672
Dieppe-Collet	50,537	94,454	-	-	-	144,991
Dollier	22,870	159,038	-	-	(20,541)	161,367
Diego	-	10,393	-	-	-	10,393
Manneville	25,227	17,672	-	-	-	42,899
La Pause	21,836	112,168	-	-	(14,000)	120,004
Rivière Doré	-	66,033	56,083	-	-	122,116
Cadillac Extension	-	15,275	72,578	-	-	87,853
DeCorta	-	6,201	36,289	-	-	42,490
Xstrata- Option	79,390	71,109	-	-	-	150,499
Bapst	32,826	14,190	-	(47,016)	-	-
La Morandière	13,181	-	-	(13,181)	-	-
Lac Castagnier	29,478	468	-	(29,946)	-	-
Others	-	169,121	(164,950)	(4,171)	-	-
<b>TOTAL</b>	<b>2,017,010</b>	<b>1,613,561</b>	<b>-</b>	<b>(94,314)</b>	<b>(110,472)</b>	<b>3,425,785</b>

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**Selected annual financial information**

	Year ended December 31, 2010 \$	Year ended December 31, 2009 \$	Year ended December 31, 2008 \$
Interest income	8,980	15,200	65,919
Net loss and comprehensive loss	(897,863)	(795,954)	(690,305)
Basic and diluted net loss per share	(0,03)	(0,04)	(0,04)
Basic and diluted weighted average number of shares outstanding	28,167,304	22,521,641	16,641,332
	Balance sheet December 31, 2010 \$	Balance sheet December 31, 2009 \$	Balance sheet December 31, 2008 \$
Cash and cash equivalents	3,432,175	1,484,131	1,114,262
Exploration funds	1,260,000	194,426	620,880
Property, plant and equipment	21,984	34,966	47,947
Mining properties	1,372,489	1,370,789	1,413,708
Deferred exploration costs	4,719,337	3,425,785	2,017,010
Total assets	11,248,755	6,869,757	6,138,660
Current liabilities	236,363	234,881	97,460
Future income taxes	1,061,832	678,968	540,912
Shareholders' equity	9,950,560	5,955,908	5,500,288

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### RESULTS OF OPERATIONS

For the period ended December 31, 2010, the net loss amounted to \$897,863 (or \$0.03 per share) compared to a net loss of \$795,954 (or \$0.04 per share) as at December 31, 2009.

Interest income stood at \$8,980 and \$15,200 for the periods ended December 31, 2010 and 2009, respectively. Administrative expenses amounted to \$830,701 for 2010 compared to \$639,652 for 2009. The increase in administrative expenses for 2010 compared to 2009 is explained mainly by the increase in stock-based employee and consultant compensation which amounted to \$69,393, in addition to increases of \$39,179 for salaries and \$45,457 for business development costs.

The main items which constituted the administrative expenses for the period ended December 31, 2010 are as follows: salaries which amounted to \$234,637, consultant-related fees for an amount of \$95,249, stock-based employee compensation for \$90,898, professional fees of \$76,679, business development costs of \$130,929, training and travelling expenses for \$50,690, advertising for \$40,686, and shareholder information expenses for \$35,861. For the period ended December 31, 2009, the main items were: salaries which amounted to \$195,458, consultant-related fees for an amount of \$81,020, professional fees of \$66,891, business development costs of \$85,472, training and travelling expenses for \$34,214, advertising for \$35,691 and shareholder information expenses for \$47,754.

### QUARTERLY FINANCIAL INFORMATION SUMMARY

Quarter ended	Interest income	Net loss	Basic and diluted net loss per share	Deferred exploration costs after tax credits and write-offs	Basic weighted average number of shares outstanding
	\$	\$	\$	\$	
31-12-10	4,540	(265,614)	(0.01)	122,634	28,167,304
30-09-10	755	(157,717)	(0.01)	474,697	29,094,844
30-06-10	836	(277,454)	(0.01)	294,766	26,733,409
31-03-10	2,849	(197,078)	(0.01)	401,455	25,559,516
31-12-09	1,806	(407,614)	(0.02)	352,867	22,521,641
30-09-09	2,251	(130,312)	(0.01)	530,391	25,403,900
30-06-09	4,133	(127,261)	(0.01)	270,522	19,635,544
31-03-09	7,010	(130,767)	(0.01)	254,995	19,422,182

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### **BALANCE SHEETS**

#### **Current Assets**

At as December 31, 2010, the cash and cash equivalents and the cash reserved for exploration amounted to \$4,692,175. It was comprised of cash, and two banker's acceptances one expiring January 5, 2011 for an amount of \$200,314 bearing an interest rate of 0.956%, the other banker's acceptance expiring March 14, 2011 for an amount of \$701,231 bearing an interest rate of 1.096% and two bonds, with one bond bearing an interest rate of 1.497% and expiring February 16, 2011, and the other bond bearing an interest rate of 1.25% and expiring February 28, 2011 for an amount of \$308,946 and \$204,068 respectively. The cash also included an amount of \$867,800 deposited in an account bearing a high interest rate of 1.2%. At as December 31, 2009, the cash and cash equivalents and the cash reserved for exploration amounted to \$1,678,55. It was comprised of cash and 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.

The working capital was \$4,898,582 as at December 31, 2010, compared to \$1,803,336 as at December 31, 2009.

#### **Property, Plant and Equipment**

Property, plant and equipment stood at \$21,984 as at December 31, 2010, compared to \$34,966 as at December 31, 2009, and consisted of leasehold improvements, furniture and equipment.

#### **Mining Properties**

As at December 31, 2010, the Company's mining properties amounted to \$1,372,489 compared to \$1,370,789 as at December 31, 2009.

At the end of each year, work is assessed to determine the future potential of each property. As at December 31, 2010, this assessment resulted in a write-off of the Manneville property for an amount of \$6,550 and a write-off of the deferred exploration costs related thereto for an amount of \$42,899. Those amounts were recorded in the Statement of Earnings.

#### **Deferred Exploration Costs**

As at December 31, 2010, deferred exploration costs amounted to \$4,719,337 and mainly on the following properties: \$1,695,233 on MacCormack, \$497,054 on Rivière Doré, and \$408,024 on Preissac. The exploration costs incurred during the 2010 year were \$1,596,704 compared to \$1,613,561 incurred during 2009. Exploration costs incurred during the 2010 fiscal year on the Company's properties consisted primarily of drilling for \$334,047, geophysics for \$414,047, and geology for \$444,450. As at December 2009, the exploration costs consisted primarily of drilling for \$406,660, geophysics for \$132,211, geology for \$440,265, and geochemistry for \$211,226.

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### **Liabilities**

As at December 31, 2010, current liabilities were \$236,363 compared to \$234,881 as at December 31, 2009.

Future income tax liabilities amounted to \$1,061,832 as at December 31, 2010 compared to \$678,968 as at December 31, 2009. The increase stems mainly from the renouncement of tax deductions.

### **Shareholders' Equity**

As at December 31, 2010, the shareholders' equity was \$9,950,560 compared to \$5,955,908 as at December 31, 2009. This variation comes mainly from financings completed in May, June and December of 2010 for a total of \$4,917,540 less the net operating losses, which amounted to \$897,863 and share issue expenses totalling \$611,029.

On December 22, 2010, the Company completed a private placement of \$150,000 before share issue expenses. The Company issued 394,736 units. Each unit consists of one common share at a price of \$0.38 per share and one share purchase warrant with each warrant entitling the holder to subscribe to one common share at a price of \$0.50 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 \$44,171. Share issue expenses totalling \$6,153 have reduced the capital stock.

On December 22, 2010, the Company completed a second private placement of \$349,990 before share issue expenses. The offering consisted of the issuance of 350,000 flow-through shares at a price of \$0.50 per flow-through share for an amount of \$175,000 and 460,500 units at a price of \$0.38 per unit for an amount of \$174,990. Each unit consists of one common share at a price of \$0.38 per share and one share purchase warrant with each warrant entitling the holder to subscribe to one common share at a price of \$0.50 for a period of two years following the date of closing. In addition the agent received non transferable compensation options entitling it to subscribe for such number of common shares of the Company equal to 8% (64,840 compensation options) of the total number of shares issued in the financing. The financing is presented net of the value of the related warrants which was established at \$51,346. Share issue expenses totalling \$52,660 have reduced the capital stock.

On December 14, 2010, the Company completed a private placement of \$3,092,540 before share issue expenses. The offering consisted of the issuance of 2,170,000 flow-through shares at a price of \$0.50 per flow-through share for an amount of \$1,085,000 and 5,283,000 units at a price of \$0.38 per unit for an amount of \$2,007,540. 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 \$0.50 for a period of two years following the date of closing. The Company paid the agent a fee equal to 8% 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 8% (596,240 compensation options) of the total number of shares issued in the financing. The financing is presented net of the value of the related warrants which was established at \$589,055. Share issue expenses totalling \$399,610 have reduced the capital stock.



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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 \$29,890 have reduced the capital stock.

On May 19, 2010, the Company completed a public offering of \$745,000 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. 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% (90,357 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 the date of closing. The financing is presented net of the value of the related warrants which was established at \$67,136. Share issue expenses totalling \$122,716 have reduced the capital stock.

### **CASH FLOWS**

For the year ended December 31, 2010, the cash flows used in operating activities amounted to (\$699,629) compared to \$100,288 from operations for the year ended December 31, 2009. The cash flows resulted mainly from the net operating losses for the same years, which amounted to \$897,863 and \$795,954 respectively. The impact of the losses is decreased by the non-cash working capital items that resulted mainly from the variation in the accounts receivable of \$18,899, compared to the net variation in accounts receivable of \$704,245 for the year 2009, which offset the effect of the loss. The variation in the accounts receivable for these two years is mainly from the cash inflow of tax credits amounting to \$250,202 in 2010 compared to \$734,148 in 2009. The other important items are the write-off of mining properties for an amount of \$60,612 in 2010, compared to \$143,269 in 2009, and the write-off relating to exploration expenditures for a total of \$49,647 in 2010, compared to \$94,314 in 2009.

Cash flows from financing activities for the year ended December 31, 2010 were \$5,056,663 compared to \$1,346,080 for the year ended 2009. During the 2010 year, these cash flows resulted mainly from a public offering and four private placements, which totalled \$4,917,540 less the share issue expenses of \$440,948, compared to \$1,528,080 less issue expenses of \$182,000 in 2009. Moreover, during the 2010 fiscal year, 1,688,047 warrants were exercised for a total of \$640,546, and 37,500 stock options were exercised for a total of \$15,355. During the 2009 year, no warrants or stock options were exercised.

Cash flows used in investing activities for the year ended December 31, 2010 were \$2,408,990 compared to \$1,076,499 for the year ended December 31, 2009. The cash used in investing activities consisted of deferred exploration costs of \$1,314,244 in 2010 compared to \$1,402,603

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for 2009. The cash reserved for exploration decreased by an amount of \$1,065,574 in 2010 compared to an increase of \$426,454 in 2009.

### **LIQUIDITY AND FINANCING SOURCES**

The Company is an exploration company. Its 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.

The Company's financing comes mostly from share issues. The success of these issues depends on the stock markets, investors' interest in exploration companies, and the price of metals. In order to continue its exploration activities and to support its current activities, the Company has to maintain its exposure within the financial community to realize new financings.

During the year ended December 31, 2010, 12,954,777 shares were issued following financings and the exercise of warrants and stock options, in addition to another 100,000 shares issued to acquire a mining property. During the year ended December 31, 2009, 6,104,001 shares were issued in connection with financings.

As at December 31, 2010, the Company's cash and cash equivalents amounted to \$3,432,175, compared to \$1,484,131 as at December 31, 2009.

Cash reserved for exploration amounted to \$1,260,000 as at December 31, 2010 compared to \$194,426 as at December 31, 2009. The variation comes from the financings for amounts of \$745,000, \$580,010, \$3,092,540, \$349,990 and \$150,000, completed during May, June and December of 2010, less the exploration costs engaged during the year. Cash reserved for exploration is exclusively constituted of cash which must be used before December 31, 2011.

### **RISKS AND UNCERTAINTIES**

The Company, like all other mining exploration companies, is exposed to a variety of financial and environmental risks as well as risks related to the very nature of its activities. It is also subject to risks related to other factors, such as the price of metals and market conditions in general.

#### **Financial Risks**

The Company must periodically obtain new funds in order to pursue its activities. While it has always succeeded in doing so to date, there can be no assurance that it will continue to do so in the future.

The financings completed by the Company in 2010 ensure that the Company shall remain a going concern for the next 24 months. The Company estimates that the quality of its properties and their geological potential will allow it to obtain the required financing for their development.

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### **Permits and Licenses**

The Company's operations may require permits and licenses from different governmental authorities. There cannot be any assurance that the Company will obtain all the required permits and licenses in order to continue the exploration, development and mining operations on its properties.

### **Metal Prices**

Even if the exploration programs of the Company are very successful, some factors out of the Company's control may affect the marketing of the minerals found. Historically, metal prices have largely fluctuated and are affected by many factors which are out of the Company's control, including international, economic and political trends, inflation expectations, exchange rate fluctuations, interest rates, global and regional consumption models, speculative activities and worldwide production levels. The effects of these factors cannot be precisely predicted.

### **Key Personnel**

The management of the Company rests on some key managers and mostly on its President and Chief Executive Officer. The loss of the President and Chief Executive Officer could have a negative impact on the development and the success of its operations. The Company's success is linked to its capacity to attract and keep qualified personnel.

### **OFF-BALANCE SHEET ARRANGEMENTS**

As at December 31, 2010, the Company had not concluded any off-balance sheet arrangements other than those disclosed in note 15 of the audited financial statements.

### **CAPITAL STRUCTURE ON APRIL 19, 2011:**

Common shares outstanding	39,834,279
Warrants (weighted average exercise price of \$0.45)	10,061,640
Agent compensation options (weighted average exercise price of \$0.35)	1,139,757
Stock options (weighted average exercise price of \$0.42)	2,205,000
Total fully diluted	53,240,676

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### **SIGNIFICANT ACCOUNTING POLICIES**

#### **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 fair value of warrants and the provision for future income taxes. These estimates and assumptions were made by management, 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.

#### **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 blocks 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 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.

#### **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 future income taxes of the balance sheet.

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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 has been applied against the costs incurred (note 7 of financial statements).

### **Stock-Based Compensation and Other Stock-Based Payments**

The Company applies the fair value-based method for stock options granted to employees and non-employees. The fair value of stock options is determined using the Black-Scholes option pricing model, and stock-based compensation costs are recognized over the vesting periods of the stock options and are credited to shareholders' equity under the caption "Contributed surplus". Any consideration received by the Company on the exercise of stock options and the carrying value allocated to such options are recorded under "Shareholders' equity" under the caption "Capital stock".

### **Income Taxes and Future Mining Taxes**

The Company uses the liability method of accounting for income taxes and mining taxes. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the carrying amounts and tax bases of the assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Company renounces to tax deductions relating to resource expenditures that are financed by the issuance of flow-through shares to the benefit of its shareholders, in accordance with current tax legislation. Future income taxes related to the temporary differences created by this renouncement are recorded, at the time that the Company renounces its right to these deductions and the offset is recorded as future income taxes in share issue costs.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all the future income tax assets will not be realized.

### **Impairment of Long-Lived Assets**

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") recommendations relating to the impairment of long-lived assets. Pursuant to these standards, a long-lived asset should be tested for recoverability whenever events or changes of circumstances indicate that its carrying value may not be recoverable. An impairment loss should be recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.

### **Financial Instruments**

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their

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characteristics and the Company's designation of such instruments. Settlement date accounting is used.

### Classification:

Cash and cash equivalents	Held-for-trading
Cash reserved for exploration	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

### Held-for-trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

### Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

### Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

### Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

### Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

## **IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED**

### ***INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")***

The AcSB plans to converge Canadian GAAP for publicly accountable enterprises with IFRS over a transition period ending January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profits oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will present its first set of IFRS compliant financial statements for the first quarter of the year ending December 31, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements.

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### **IFRS CONVERGENCE**

#### **ACCOUNTING STANDARDS**

##### ***First time Adoption (IFRS 1)***

The choices available under IFRS 1 will allow the Company's balance sheet as at January 1, 2010 to remain similar to the closing balance sheet as at December 31, 2009.

##### ***Impairment of assets (IAS 36)***

This standard should not have an impact on the financial statements of the Company on the transition date. Nevertheless, in subsequent years, this standard could generate more impairment than Canadian GAAP would since it uses a one-step test.

##### ***Share-based payments (IFRS 2)***

The Company believes that the adoption of this standard may have a limited, but not considerable, impact on the Financial Statements. Moreover, in subsequent years, the amount of stock-based compensation for grants vesting over an acquisition period will be greater in the first months and not linear.

##### ***Mineral property interests, exploration and evaluation costs (IFRS 6)***

The Company believes that the changes of this standard should not have an impact on the Financial Statements of the Company on the transition date or in the years to come.

##### ***Property, plant and equipment (IAS 16, IFRIC 1)***

The Company believes that the changes of this standard should not have an impact on the Financial Statements of the Company on the transition date.

#### **IMPACT ON THE BUSINESS:**

The business processes of the Company are simple and no major challenges are expected for operating under IFRS. The Company does not have a compensation plan that would be affected by the IFRS.

#### **IMPLEMENTATION**

Management of the Company will prepare Financial Statements in compliance with IFRS for the interim periods and the year ended December 31, 2011.

#### **RELATED PARTY TRANSACTIONS**

The Company did not enter into any related party transactions during the year ended December 31, 2010. There are no outstanding amounts owed as at December 31, 2010 or 2009.



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	December 31 2010 \$	December 31 2009 \$
<b>Consultant</b>	-	4,500
<b>Geoscientific data</b>	-	20,000
<b>Total</b>	-	24,500

### COMMITMENTS

The Company has commitments pursuant to various operating leases and equipment rental contracts. The Company has the obligation to pay a total amount of \$62,993 during the next two years. Minimum payments are as follows:

	\$
2011	45,214
2012	17,779
	62,993

### OUTLOOK

During the 2011 year, the Company will pursue its development strategy by focusing on the controlled and dynamic exploration of its projects, searching for new partners and generating new projects.

Exploration field work in 2011 will comprise 15,000 metres of drilling on five of the Company's properties and will be performed all year long to optimize logistics and control costs. The breakdown of the drilling program will be 4,500 metres on MacCormack and Xstrata-Option, 4,000 metres on Dollier, 2,000 metres on Diego, 2,500 metres on Rivière Doré, and 2,000 metres on Cadillac Extension. In addition, the Company will continue its compilation of results over the course of the year with the aim of generating new drill targets. The Company's new discoveries have generated interest in our projects and negotiations are underway with potential partners.

(s) Philippe Cloutier  
Philippe Cloutier  
President and CEO

(s) Jean-Yves Laliberté  
Jean-Yves Laliberté  
Chief Financial Officer