

Cartier Resources Inc.

(an exploration company)

Financial statements

***Years ended December 31, 2019 and
December 31, 2018***



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cartier Resources Inc.

Opinion

We have audited the financial statements of Cartier Resources Inc. (the "Entity"), which comprise:

- the statements of financial position as at December 31, 2019 and December 31, 2018;
- the statements of loss and comprehensive loss for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended;
- and notes to the financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Entity is still in exploration stage and, as such, no revenue has yet been generated from its operating activities. Accordingly, the Entity depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business.



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As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the ability of Cartier Resources Inc. to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- The information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are/is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

The engagement partner on the audit resulting in this auditors' report is Alain Bessette.

Montréal, Canada

April 21, 2020

Cartier Resources Inc.
(an exploration company)
Statements of Financial Position

(In Canadian \$)	December 31, 2019	December 31, 2018
	\$	\$
Assets		
Current		
Cash and cash equivalents (note 3)	7,670,167	7,572,963
Other short-term financial assets (note 4)	28,638	27,650
Receivables (note 5)	742,074	1,100,817
Prepaid expenses	35,835	118,286
	8,476,714	8,819,716
Non-current		
Property, plant and equipment	6,520	8,002
Right-of-use assets (note 2.15 and 6)	153,361	-
Mining assets and deferred exploration costs (note 7)	16,852,669	14,417,166
	16,852,669	14,417,166
TOTAL ASSETS	25,489,264	23,244,884
Liabilities		
Current		
Accounts payable and accrued liabilities	241,541	324,110
Current portion of lease obligations (note 2.15 and 8)	50,018	-
Liability related to flow-through shares (note 15)	763,489	-
	1,055,048	324,110
Non-current		
Lease obligations (note 2.15 and 8)	106,826	-
Deferred income and mining taxes (note 14)	1,969,674	1,756,974
	1,969,674	1,756,974
TOTAL LIABILITIES	3,131,548	2,081,084
EQUITY		
Share capital (note 9)	37,203,150	35,288,268
Warrants	-	183,985
Contributed surplus	2,888,116	2,625,207
Deficit	(17,755,275)	(16,954,397)
Accumulated other comprehensive loss	21,725	20,737
	22,357,716	21,163,800
TOTAL EQUITY	22,357,716	21,163,800
TOTAL LIABILITIES AND EQUITY	25,489,264	23,244,884

Basis of preparation and going concern (note 1)

Contingencies and commitments (note 15)

Subsequent event (note 19)

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

Approved on behalf of the Board of Directors

(Signed) Philippe Cloutier, Director

(Signed) Daniel Massé, Director

Cartier Resources Inc.

(an exploration company)

Statements of changes in equity

Years ended December 31

(In Canadian \$)

	Number of shares	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive (loss) \$	Total equity \$
BALANCE AS AT DECEMBER 31, 2018	177,104,747	35,288,268	183,985	2,625,207	(16,954,397)	20,737	21,163,800
Net loss for the year	-	-	-	-	(984,863)	-	(984,863)
Change in fair value of other short-term financial assets	-	-	-	-	-	988	988
Total comprehensive loss	-	-	-	-	(984,863)	988	(983,875)
Issuance of shares net of issue costs	13,726,015	1,790,962	-	-	-	-	1,790,962
Effect of share-based payments (note 9)	-	-	-	306,829	-	-	306,829
Issuance of options (note 9)	800,000	123,920	-	(43,920)	-	-	80,000
Expired warrants (note 9)	-	-	(183,985)	-	183,985	-	-
BALANCE AS AT DECEMBER 31, 2019	191,630,762	37,203,150	-	2,888,116	(17,755,275)	21,725	22,357,716
BALANCE AS AT DECEMBER 31, 2017	176,904,747	35,255,308	2,445,849	2,178,980	(14,220,209)	24,687	25,684,615
Net loss for the year	-	-	-	-	(4,989,092)	-	(4,989,092)
Change in fair value of other short-term financial assets	-	-	-	-	-	(3,950)	(3,950)
Total comprehensive loss	-	-	-	-	(4,989,092)	(3,950)	(4,993,042)
Effect of share-based payments (note 9)	-	-	-	446,227	-	-	446,227
Issuance of warrants (note 9)	200,000	32,960	(6,960)	-	-	-	26,000
Expired warrants (note 9)	-	-	(2,254,904)	-	2,254,904	-	-
BALANCE AS AT DECEMBER 31, 2018	177,104,747	35,288,268	183,985	2,625,207	(16,954,397)	20,737	21,163,800

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

Cartier Resources Inc.

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Statements of loss and comprehensive loss

Years ended December 31

(In Canadian \$)

	2019	2018
	\$	\$
Administrative expenses		
Salaries	369,991	371,638
Consultants	6,221	27,409
Share-based payments-employees (note 9 and 10)	229,001	393,932
Share-based payments-consultants (note 9)	6,788	6,281
Professional fees	36,677	69,232
Rent	-	10,110
Business development expenditures (analysts and brokers)	129,182	97,459
Road shows and gold shows	110,706	150,455
Investor relations	149,201	270,559
Insurance, taxes and permits	16,661	16,000
Financial expenses (note 11)	11,998	18,049
Depreciation of right-of-use assets	7,867	-
Office supplies	24,329	22,140
Telecommunications	8,853	5,299
Training and travel	27,654	26,160
Advertising and sponsoring	16,527	20,964
Information to shareholder	42,679	54,641
Part XII.6 tax related to flow-through shares	-	6,531
	1,194,335	1,566,859
Other expenses (income)		
Write-down and write-off of mining assets and deferred exploration costs (note 7)	-	5,424,280
Other exploration costs	5,013	1,683
Interest income	(112,325)	(164,374)
	(1,087,023)	(6,828,448)
Loss before deferred income and mining taxes	(1,087,023)	(6,828,448)
Deferred income and mining taxes (note 14)	(102,160)	(1,839,356)
Net loss for the year attributable to shareholders	(984,863)	(4,989,092)
Change in fair value of other short-term financial assets	988	(3,950)
Comprehensive loss for the period attributable to shareholders	(983,875)	(4,993,042)
Loss per share		
basic and diluted	(0.00)	(0.03)
Weighted average number of common shares outstanding		
basic	179,441,539	177,041,733
diluted	180,531,336	178,609,242

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

Cartier Resources Inc.

(an exploration company)

Statements of Cash Flows

Years ended December 31

(In Canadian \$)

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Net Loss	(984,863)	(4,989,092)
Adjustments for:		
Deferred income and mining taxes	(102,160)	(1,839,356)
Share-based payments-employees (note 9 and 10)	229,001	393,932
Share-based payments-consultants (note 9)	6,788	6,281
Write-down and write-off of mining assets and deferred exploration costs	-	5,424,280
Interests on lease obligations	1,298	-
Depreciation of right-of-use assets	7,867	-
Interest income	(112,325)	(164,374)
Interest paid	(1,298)	-
Interest received	110,145	160,427
	<u>(845,547)</u>	<u>(1,007,902)</u>
Net change in non-cash working capital items		
Receivables	79,439	(5,704)
Prepaid expenses	82,451	(56,473)
Accounts payables and accrued liabilities	(49,936)	25,617
	<u>(733,593)</u>	<u>(1,044,462)</u>
Cash flows used in operating activities	<u>(733,593)</u>	<u>(1,044,462)</u>
FINANCING ACTIVITIES		
Shares issue	3,021,873	-
Shares issue expenses	(254,181)	77
Exercise of warrants	-	26,000
Exercise of options	80,000	-
Payments on lease obligations	(38,568)	-
	<u>2,809,124</u>	<u>26,077</u>
Cash flows from financing activities	<u>2,809,124</u>	<u>26,077</u>
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,613)	(3,696)
Tax credits received	915,970	-
Interest paid on lease obligations capitalized as mining assets and deferred exploration costs	(5,631)	-
Acquisition of mining assets and deferred exploration costs	(2,887,053)	(7,111,627)
	<u>(1,978,327)</u>	<u>(7,115,323)</u>
Cash flows used in investing activities	<u>(1,978,327)</u>	<u>(7,115,323)</u>
Net change in cash and cash equivalents	97,204	(8,133,708)
Cash and cash equivalents at the beginning	7,572,963	15,706,671
Cash and cash equivalents at the end (note 3)	7,670,167	7,572,963

Additional information (note 12)

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

Cartier Resources Inc.

(an exploration company)

Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

Incorporation and Nature of Operations

Cartier Resources Inc. (the "Company"), initially incorporated under Part 1 A of the Québec *Companies Act* on July 17, 2006, has been governed by the *Business Corporations Act* (Quebec) since February 14, 2011. The Company's head office is located at 1740, chemin Sullivan, Suite 1000, Val-d'Or, Québec. Its activities primarily include the acquisition and exploration of mining properties in Canada.

The Company has not yet determined whether these properties contain economically recoverable ore reserves. Although, at the current stage of the exploration work, the Company is taking all industry standard measures to ensure that the mining property titles in which it has a financial interest are in good standing, these measures in place do not guarantee property titles to the Company. Property titles may be subject to prior unregistered agreements or non-compliance with regulatory requirements.

The recoverability of amounts reported for mining properties and deferred exploration expenses is dependent on the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production, or the proceeds of the transfer of such property. At the date of the financial statements, the carrying value of mining properties and deferred exploration expenses represents, in management's opinion, the best estimate of their net recoverable value. This value could however be reduced in the future.

On April 21, 2020, the Company's Board of Directors approved these annual financial statements for the years ended December 31, 2019 and December 31, 2018.

1. Basis of preparation and going concern

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

The financial statements have been prepared on a going concern basis, meaning that the Company will be able to realized its assets and discharge its commitments and liabilities in the normal course of operations. The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in raising financing to date, there can be no assurance it will be able to do so in the future. The Company believes it has sufficient liquidity to meet its obligations for the next 12 months. The Company has not yet determined whether its properties contain economically recoverable ore reserves and has not yet generated revenues from operations. The recoverability of the amounts shown for mining properties is dependent upon the existence of economic ore reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties. The above conditions indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material.

These financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS". The Company requires the use of certain critical judgments and accounting estimates. It also requires management to exercise judgment when applying the Company's accounting policies.

Cartier Resources Inc.

(an exploration company)

Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

2. Summary of accounting policies

2.1. Overall considerations

The financial statements have been prepared using accounting policies consistent with IFRS that are in effect as at December 31, 2019.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

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. Contributions paid under the defined contribution rules are recognized as an expense when employees have rendered the services entitling them to those services.

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 payments-employees

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

Where employees are rewarded using share-based payments, the fair value is determined using the Black-Scholes pricing model at the date of grant. All share-based payments are recognized as an expense and also in deferred exploration costs 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 at the end of each reporting period or 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. The fair value of each option is reversed from contributed surplus to share capital.

Cartier Resources Inc.

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Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

2. Summary of accounting policies (continued)

2.4. Mining assets and deferred exploration costs

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 each 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.

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 loss as incurred.

The recoverability of the amounts recorded under mining assets 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 properties. The amounts shown for mining properties and deferred exploration costs are not necessarily indicative of present or future values.

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, and the expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are capitalized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less tax credits related to these expenses and any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable or is abandoned, the capitalized amounts are written down to their recoverable amounts and the difference is then immediately recognized in net loss.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property, plant and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

At present, no technical feasibility or commercial viability of extracting a mineral resource has been confirmed.

Cartier Resources Inc.

(an exploration company)

Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

2. Summary of accounting policies (continued)

2.4. Exploration and evaluation expenditures and exploration and evaluation assets (continued)

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with an option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash considerations received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

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

The Company is entitled to a credit on duties refundable under the Mining Duties Act. This credit on duties refundable on exploration costs incurred in the Province of Quebec is recognized as a tax recovery on income. In accordance with IAS 12- *Income tax*, the credits on duties are applied against the deferred income taxes in the statement of financial position when the Company expects to continue holding the mining property once ready for production.

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 28% of qualified expenditures incurred. In accordance with IAS 20- *Accounting for government grants and disclosure of government assistance*, this tax credit is accounted against the qualified expenditures.

2.6. Income and mining taxes

The income and mining 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 income tax and mining taxes 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 is recognized in respect of 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.

Cartier Resources Inc.

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Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

2. Summary of accounting policies (continued)

2.6. Income and mining taxes (continued)

Deferred income taxes and mining taxes liabilities

Deferred income taxes and mining taxes liabilities are generally recognized for all temporary taxable differences.

Deferred income taxes and mining taxes assets

Deferred income taxes and mining taxes assets are recognized to the extent that it is probable they will be able to be utilized against future taxable income.

Deferred income taxes and mining taxes assets 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.

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 offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of the tax expense or recovery in the statement of 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.

2.7. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to holders of common shares by the weighted average number of common shares outstanding during the period. The Company uses the treasury method to calculate the diluted net loss per share. The diluted net loss per share is 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 stock options and warrants have been converted into potential common shares at the average market value during the presentation period.

Cartier Resources Inc.

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Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

2. Summary of accounting policies (continued)

2.8. Cash reserved for exploration

The Company raises flow-through funds for exploration under subscription agreements which require the Company to incur prescribed resource expenditures. These funds must be used for qualifying exploration expenditures for a pre-determined period. If the Company does not incur the resource expenditures, within a pre-determined timeframe, then it will be required to indemnify these shareholders for any tax and other costs payable by them.

2.9. Cash and cash equivalents

Cash and cash equivalents are comprised of cash, cash reserved for exploration and short-term investments with maturity dates of less than three months from the date of acquisition.

2.10. Impairment of long-lived assets

Non-financial assets

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment at the end of each reporting period or when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have expired or will expire in the near future and it is not expected that they will be renewed.
- No future substantive exploration expenditures are budgeted.
- No commercially viable quantities discovered and exploration and evaluation activities will be discontinued.
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use, that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the Company for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

Cartier Resources Inc.

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Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

2. Summary of accounting policies (continued)

2.10. Impairment of long-lived assets (continued)

Non-financial assets (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.11. Equity

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

Unit placements

The proceeds of unit issuances are allocated to the shares and warrants by using the Black-Scholes model to calculate the fair value of warrants and the residual amount to the shares.

Flow-through financing

Canadian tax law allows a company to issue investment securities to investors for whom tax deductions for exploration expenses may be claimed by investors and not by the Company. These securities are called flow-through shares. The Company finances a portion of its exploration programs through the issuance of flow-through shares. On the issue date of the shares, the Company allocates the issue proceeds between the share capital and the obligation to remit tax deductions, which is recognized as a flow-through share liability. The Company estimates the fair value of the flow-through share liability using the residual method, deducting the market price of a common share at the price of a flow-through share on the closing date of the financing. A corporation may waive tax deductions based on what is known as the "general method" or the "retrospective method". When the waiver of tax deductions is made according to the general method, which the Company intends to make the waiver and capitalizes the expenses in the current year, then the Company records a deferred tax liability, with an expense of deferred tax. At this point, the obligation is reduced, with a tax recovery as a counterpart. When tax deductions are retrospectively waived, the Company records a deferred tax liability, with a deferred tax expense when the expenditures are made and capitalized. At this point, the obligation is reduced to zero, with a tax recovery as consideration. The Company uses the general method.

Warrants

Warrants are classified as equity as they are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

Cartier Resources Inc.

(an exploration company)

Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

2. Summary of accounting policies (continued)

2.11. Equity (continued)

Other components of equity

Contributed surplus includes charges related to share options until such options are exercised.

The deficit includes all current and prior years' retained profits or losses.

2.12. Presentation and functional currency

The financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

2.13. Financial instruments

Classification and valuation of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Cartier Resources Inc.

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Notes to the Financial Statements for the years ended December 31, 2019 and 2018

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2. Changes to accounting policies (continued)

2.13. Financial instruments (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The Company made the irrevocable election to designate its equity investments as financial assets measured at FVOCI. As a result, changes in fair value will be recorded in other comprehensive income. When the financial asset will be derecognized, the accumulated gains and losses previously recognized in other comprehensive income will not be reclassified to net income as a reclassification adjustment.

The following table summarizes the classification of different financial assets and liabilities.

Asset/Liability	Classification under IFRS 39
Cash and cash equivalents	Amortized cost
Other short-term financial assets	Fair value through other comprehensive income
Accounts payable and accrued liabilities	Amortized cost

2.14. 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 and the most critical management judgments in applying accounting policies.

Cartier Resources Inc.

(an exploration company)

Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

2. Changes to accounting policies (continued)

2.14. Accounting estimates and critical judgments (continued)

Estimates:

Share-based payments and fair value of warrants

The estimate of share-based payment costs and of the fair value of warrants 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 expected life of options and expected extinguishments. The model used by the Company is the Black-Scholes model.

Critical judgments:

Impairment of assets

An impairment loss is recognized when the carrying amount of an asset is not recoverable and exceeds its recoverable value. Management reviews on a regular basis the impairment assessment of its mining assets. Each year, the Company conducts an annual review of the geological potential of all its claims with the objective of postponing the work on certain claims and abandoning any claims with a low discovery potential. All amounts incurred on those claims are recorded in the statements of loss of the year (note 2.10).

Income taxes and deferred mining taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

2.15. New accounting policies

New accounting standards and amendments adopted:

IFRS 16, Leases

Effective January 1, 2019, the Company early adopted *IFRS 16, Leases* ("IFRS 16"), which specifies how to recognize, measure, present and disclose leases. The standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company's accounting policy under IFRS 16 is as follows:

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Cartier Resources Inc.

(an exploration company)

Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

2. Changes to accounting policies (continued)

2.15. New accounting policies (continued)

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 6 years for facilities, automotive equipment, rent and other equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Under *IAS 17 Leases* ("IAS 17"), the Company's accounting policy was as follows:

The determination of whether an arrangement was, or contained, a lease was based on the substance of the arrangement at the inception of the lease. The arrangement was, or contained, a lease if fulfilment of the arrangement was dependent on the use of a specific asset and the arrangement conveyed a right to use the asset, even if that asset was not explicitly specified in an arrangement.

A lease was classified at the inception date as an operating lease.

A leased asset was depreciated over the useful life of the asset. However, if there was no reasonable certainty that the Company would obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease was a lease other than a finance lease. Operating lease payments were recognized in net loss on a straight-line basis over the lease term. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

Impact of transition to IFRS 16

Effective January 1, 2019, the Company early adopted IFRS 16 using the modified retrospective approach. Accordingly, comparative figures as at and for the year ended December 31, 2018 have not been restated and continues to be reported under IAS 17, and IFRIC 4, Determining whether an arrangement contains a lease.

Cartier Resources Inc.

(an exploration company)

Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

2. Changes to accounting policies (continued)

2.15. New accounting policies (continued)

On initial application, for leases previously classified as operating leases under IAS 17, the Company has elected to record right-of-use assets based on the corresponding lease liability of \$195,412, other current assets and other assets as at January 1, 2019.

As such, as at January 1, 2019, the Company recorded lease obligations of \$195,412 and right-of-use assets of \$195,412, with no net impact on the deficit.

When measuring lease liabilities for those leases previously classified as operating leases under IAS 17, the Company discounted future lease payments using its incremental borrowing rate for similar assets as at January 1, 2019. The weighted-average rate applied is 3.93%.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company also relied on the valuation of the provision for onerous leases under IAS 37, *Allowance, contingent liabilities and potential assets*, instead of performing an impairment test. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The following table reconciles the Company's operating lease commitments as at December 31, 2018, as previously disclosed in the Company's annual audited financial statements, to the lease obligations recognized on the initial application of IFRS 16 on January 1, 2019.

	\$
Operating lease commitments as at December 31, 2018	103,410
Discounted using the incremental borrowing rate as at January 1, 2019	98,444
Renewal options reasonably certain to be exercised	96,968
Lease obligations recognized as at January 1, 2019	195,412

3. Cash and cash equivalents

As at December 31, 2019 and 2018, cash and cash equivalents included an account bearing interest and an account without interest, as shown below:

	December 31, 2019		December 31, 2018	
	\$	Interest rate	\$	Interest rate
Account bearing interest	6,868,800	1.10%-2.50%	7,213,273	1.10%-2.50%
Account without interest	801,367	-	359,690	-
Total	7,670,167		7,572,963	

Cash and cash equivalents include \$2,373,548 (nil as at December 31, 2018) of funds to be expensed in eligible exploration expenses before December 31, 2020.

Cartier Resources Inc.

(an exploration company)

Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

4. Other short-term financial assets

	December 31, 2019	December 31, 2018
	<u>\$</u>	<u>\$</u>
Marketable securities of a quoted mining exploration company, at fair value	28,638	27,650

5. Receivables

	December 31, 2019	December 31, 2018
	<u>\$</u>	<u>\$</u>
Credit on mining rights refundable and refundable tax credit for resources	634,487	915,970
Commodity taxes	107,587	184,847
	742,074	1,100,817

6. Right-of-use assets

	Building	Automotive equipment	Other equipment	Total
	\$	\$	\$	\$
Balance as at January 1, 2019	174,627	5,835	14,950	195,412
Depreciation	(33,261)	(3,183)	(5,607)	(42,051)
Balance as at December 31, 2019	141,366	2,652	9,343	153,361

Cartier Resources Inc.

(an exploration company)

Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

7. Mining assets and deferred exploration costs

	Chimo Mine ⁽¹⁾	Wilson	Benoist	Fenton	Total
Percentage interest	100%	100%	100%	Option 50%	
	\$	\$	\$	\$	\$
Mining assets					
Balance as at December 31, 2018	107,024	72,000	737,723	24,644	941,391
Additions	350,000	-	-	-	350,000
Balance as at December 31, 2019	457,024	72,000	737,723	24,644	1,291,391
Deferred exploration costs					
Balance as at December 31, 2018	8,478,524	1,089,748	2,383,664	1,523,839	13,475,775
Additions					
Geology	399,899	208	5,533	2,872	408,512
Drilling	1,963,420	-	409	-	1,963,829
Geochemistry	104,310	-	-	-	104,310
Exploration office expenses	6,296	-	-	-	6,296
Surveying and access roads	4,278	-	-	-	4,278
Core shack rental and maintenance	3,175	-	355	-	3,530
Duties, taxes and permits	1,024	2,549	3,186	273	7,032
Depreciation of exploration leasehold improvements	3,095	-	-	-	3,095
Depreciation of right-of-use assets	34,184	-	-	-	34,184
Interest on lease obligations	5,631	-	-	-	5,631
Share-based payments - employees	71,040	-	-	-	71,040
Total deferred exploration costs during the year	2,596,352	2,757	9,483	3,145	2,611,737
Tax credits	(524,192)	(58)	(1,180)	(804)	(526,234)
Additions during the year	2,072,160	2,699	8,303	2,341	2,085,503
Total deferred exploration costs as at December 31, 2019	10,550,684	1,092,447	2,391,967	1,526,180	15,561,278
Total of mining assets and deferred exploration costs as at December 31, 2019	11,007,708	1,164,447	3,129,690	1,550,824	16,852,669

All mining properties held by the Company are located in northwestern Quebec.

⁽¹⁾ On June 19, 2019, the Company bought back a 2% NSR royalty on the Chimo Mine property for \$350,000 in cash.

The Company is subject to royalties on certain properties.

Cartier Resources Inc.

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Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

7. Mining assets and deferred exploration costs

	MacCormack ⁽¹⁾	Chimo Mine	Wilson	Cadillac Extension ⁽¹⁾	Benoist	Fenton	Total
<i>Percentage interest</i>	100%	100%	100%	100%	100%	Option 50%	
	\$	\$	\$	\$	\$	\$	\$
Mining assets							
Balance as at December 31, 2017	206,871	107,024	72,000	3,715	737,723	24,371	1,151,704
Additions	-	-	-	-	-	273	273
Write-down	(206,871)	-	-	(3,715)	-	-	(210,586)
Balance as at December 31, 2018	-	107,024	72,000	-	737,723	24,644	941,391
Deferred exploration costs							
Balance as at December 31, 2017	2,850,995	2,360,666	1,081,812	2,352,961	2,380,687	1,336,741	12,363,862
Additions							
Geology	-	334,381	1,367	3,326	1,521	17,986	358,581
Drilling	-	6,189,972	993	-	-	174,582	6,365,547
Geochemistry	-	274,617	-	-	-	-	274,617
Surveying and access roads	-	5,183	-	-	-	-	5,183
Core shack rental and maintenance	-	14,823	999	-	68	319	16,209
Duties, taxes and permits	4,900	1,601	684	1,512	1,812	307	10,816
Depreciation of exploration leasehold improvements	-	2,554	84	-	-	-	2,638
Share-based payments - employees	-	42,205	3,809	-	-	-	46,014
Total deferred exploration costs during the year	4,900	6,865,336	7,936	4,838	3,401	193,194	7,079,605
Write-down of deferred exploration costs	(2,855,895)	-	-	(2,357,799)	-	-	(5,213,694)
	(2,850,995)	6,865,336	7,936	(2,352,961)	3,401	193,194	1,865,911
Tax credits	-	(747,478)	-	-	(424)	(6,096)	(753,998)
Additions during the year	(2,850,995)	6,117,858	7,936	(2,352,961)	2,977	187,098	1,111,913
Total deferred exploration costs as at December 31, 2018	-	8,478,524	1,089,748	-	2,383,664	1,523,839	13,475,775
Total of mining assets and deferred exploration costs as at December 31, 2018	-	8,585,548	1,161,748	-	3,121,387	1,548,483	14,417,166

All mining properties held by the Company are located in northwestern Quebec.

⁽¹⁾ Following an analysis of the work carried out to evaluate the future potential of each of the Company's properties, the exploration work on the MacCormack and Cadillac Extension's properties were delayed for an indefinite period. The properties represent respectively 89 and 39 mining titles. As a result, the portions of the properties for these claims and the related

The Company is subject to royalties on certain properties.

Cartier Resources Inc.

(an exploration company)

Notes to the Financial Statements for the years ended December 31, 2019 and 2018

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8. Lease obligations

	\$
Lease obligations included in the statement of financial position as at December 31, 2019	
Initial recognition upon adoption of IFRS 16	195,412
Theoretical interests on lease obligations	6,929
Payments on lease obligations	<u>(45,497)</u>
	156,844
Current portion of lease obligations	<u>(50,018)</u>
	<u>106,826</u>
Maturity analysis – contractual undiscounted cash flows	
Less than one year	44,914
One to five years	<u>124,240</u>
	<u>169,154</u>

9. Share capital

Authorized

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

	December 31, 2019		December 31, 2018	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of the year	177,104,747	35,288,268	176,904,747	35,255,308
Shares issued and paid				
Flow-through private placements (a) (b)	13,726,015	3,021,873	-	-
Renouncement of tax deductions on flow-through shares (a) (b)	-	(970,097)	-	-
Exercise of options (c)	800,000	123,920	-	-
Exercise of warrants (d)	-	-	200,000	32,960
	<u>14,526,015</u>	<u>2,175,696</u>	<u>200,000</u>	<u>32,960</u>
Share issue expenses (a) (b)	-	(260,814)	-	-
	<u>191,630,762</u>	<u>37,203,150</u>	177,104,747	35,288,268
Balance, at end of the year	191,630,762	37,203,150	177,104,747	35,288,268

Cartier Resources Inc.

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Notes to the Financial Statements for the years ended December 31, 2019 and 2018

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9. Share capital (continued)

(a) Issuance of flow-through shares on December 19, 2019

On December 19, 2019, the Company completed a private placement. The Company issued 356,300 flow-through shares at a price of \$0.22 per flow-through share for total gross proceeds of \$78,386. The Company has not paid any finder's fees. Share issue expenses totalling \$6,451 were also applied against the share capital.

The Company also renounced the tax deduction related to the flow-through shares representing an amount of \$32,067 which reduced the share capital and increased the liabilities related to flow-through shares.

(b) Issuance of flow-through shares on October 31, 2019

On October 31, 2019, the Company completed a private placement through Desjardins Securities Inc. The Company issued 11,429,048 flow-through shares at a price of \$0.21 per share and 1,940,667 flow-through shares at a price of \$0.28 per share, for total gross proceeds of \$2,943,387. In connection with the offering, the agent received a cash fee equal to 6% of the gross proceeds of the offering. Share issue expenses totalling \$254,363 were also applied against the share capital.

The Company also renounced the tax deduction related to the flow-through shares representing an amount of \$938,030 which reduced the share capital and increased the liabilities related to flow-through shares.

(c) During the year 2019, the Company issued 800,000 common shares at a price of \$0.10, totalling \$80,000 following exercise of options whose fair value of the common share ranged from \$0.135 and \$0.14 at the time of exercise.

(d) During the year 2018, the Company issued 200,000 common shares at a price of \$0.13, totalling \$26,000 following exercise of warrants whose fair value of the common share was \$0.165 at the time of exercise.

Share Option Plan

The Company has a share option plan that has been approved by the shareholders. The maximum number of common shares which may be reserved under the plan is limited to 10% of the number of common shares issued and outstanding (on a non-diluted basis). The options granted to any optionnee cannot exceed 5% of the issued and outstanding common shares. The options are vested over a period of 12 months and are exercisable over a maximum of five years.

Cartier Resources Inc.

(an exploration company)

Notes to the Financial Statements for the years ended December 31, 2019 and 2018

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9. Share capital (continued)

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

	December 31, 2019		December 31, 2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Outstanding - Beginning	14,100,000	0.17	11,475,000	0.18
Granted-employees	3,400,000	0.12	3,575,000	0.15
Exercised	(800,000)	0.10	-	-
Expired	(2,400,000)	0.18	(950,000)	0.25
Outstanding - End	14,300,000	0.16	14,100,000	0.17
Exercisable - End	11,875,000	0.17	11,587,500	0.17

The following table summarizes certain information for share options outstanding and exercisable:

Exercise price	Outstanding options December 31, 2019			Exercisable options December 31, 2019		
	Number of options	Weighted average remaining life (years)	Weighted average exercise price	Number of options	Weighted average remaining life (years)	Weighted average exercise price
\$0.10 to \$0.20	12,425,000	2.99	0.14	10,000,000	2.57	0.14
\$0.21 to \$0.30	1,875,000	2.38	0.30	1,875,000	2.38	0.30
\$0.10 to \$0.30	14,300,000	2.91	0.16	11,875,000	2.54	0.17

The weighted average fair value of share options granted was estimated using the Black-Scholes model at \$0.16 per option (\$0.12 in 2018) using the following assumptions:

	2019	2018
Risk-free interest rate	1.48%	2.18%
Expected volatility	84%	108%
Dividend yield	Nil	Nil
Weighted average expected life	5 years	5 years

During the year ended December 31, 2019, the share-based payment expense was \$306,829 (2018 - \$446,227). An amount of \$235,789 (2018 - \$400,213) was presented in the statement of loss and an amount of \$71,040 (\$46,014 in 2018) was presented in mining assets and deferred exploration costs.

Cartier Resources Inc.

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Notes to the Financial Statements for the years ended December 31, 2019 and 2018

(In Canadian \$)

9. Share capital (continued)

Warrants

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

	December 31, 2019			December 31, 2018		
	Number	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Number	Weighted average exercise price \$	Weighted average remaining contractual life (years)
Outstanding - Beginning	1,983,400	0.27	0.61	3,518,400	0.26	0.97
Exercised	-	-	-	(200,000)	0.13	-
Expired	(1,983,400)	0.27	-	(1,335,000)	0.27	-
Outstanding - End	-	-	-	1,983,400	0.27	0.61
Exercisable - End	-	-	-	1,983,400	0.27	0.61

10. Employee remuneration

Employee benefits recognized are detailed below:

	December 31, 2019 \$	December 31, 2018 \$
Salaries and fees	584,323	657,789
Fringe benefits	38,343	39,590
Share-based payments-employees	300,041	446,226
Defined contribution pension plan	33,490	16,846
	956,197	1,160,451
Less: salaries and share-based payments-employees capitalized in exploration and evaluation assets	(311,799)	(331,030)
Employee benefits	644,398	829,421

Employee benefits expense is allocated to the following items:

Salaries	369,991	371,638
Share-based payments-employees	229,001	393,932
Road shows and gold shows	43,512	60,714
Training and travel	1,894	3,137
	644,398	829,421

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(In Canadian \$)

11. Financial expenses

	December 31, 2019	December 31, 2018
	\$	\$
Interest and bank charges	10,700	18,049
Theoretical interests on lease obligations	1,298	-
Total of financial expenses	11,998	18,049

12. Cash flows

Additional information	December 31, 2019	December 31, 2018
	\$	\$

Items not affecting cash and cash equivalents related to operating, financing and investing activities

Share issue expenses included in accounts payable and accrued liabilities	6,710	77
Depreciation of property, plant and equipment transferred to deferred exploration costs	3,095	2,638
Depreciation of right-of-use assets	34,184	-
Deferred exploration costs included in accounts payable and accrued liabilities	(39,266)	138,989
Share-based payments-employees charged to deferred exploration costs	71,040	46,014
Interest on lease obligations capitalized to deferred exploration costs	5,631	-
Credits on mining taxes applied against deferred exploration costs	526,234	750,946

13. Financial Instruments

Objectives and policies in managing financial risks

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

The Company does not enter into speculative derivative financial instruments.

Financial risks

The following paragraphs describe the main financial risks to which the Company is exposed and its risk management policies.

Interest risk

As at December 31, 2018, the Company is not exposed to interest rate risk since they are all short-term items.

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13. Financial Instruments (continued)

Liquidity risks

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.

Liquidity risk analysis

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

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

All financial liabilities mature in less than 12 months.

Sensitivity to credit risk

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

	December 31, 2019	December 31, 2018
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	<u>7,670,167</u>	<u>7,572,963</u>

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

The credit risk for cash and cash equivalents and cash reserved for exploration is considered negligible, since the counterparties are reputable financial institutions with high quality external credit ratings.

Fair value of financial instruments

The Company discloses the fair value hierarchy by which the financial instruments are evaluated and assigned to the following levels. Level 1 features a valuation based on quoted prices (unadjusted) in active markets 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. Level 3 includes inputs for the asset or liability that are not based on observable market data. Marketable securities are classified under Level 1.

The carrying amount of cash and cash equivalents, cash reserved for exploration, accounts payables and accrued liabilities approximate fair value based on the close date.

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14. Deferred income and mining taxes

The reconciliation of the income tax expense, calculated using the statutory income tax rates of the federal government and the Province of Quebec, to the income tax expense as per the financial statements, is as follows:

	December 31, 2019	December 31, 2018
	\$	\$
Loss before income and mining taxes	(1,087,023)	(6,828,448)
Combined federal and provincial income tax at 26.6% (26.7% as at December 31, 2018)	(289,148)	(1,823,196)
Deferred exploration flow-through shares	248,049	1,655,658
Mining taxes	(108,254)	(153,440)
Non-deductible expenses for income tax purposes	66,235	111,613
Share issue expenses not affecting earnings	(37,479)	(93,517)
Change in unrecognised tax benefits	626,214	148,038
Change in future tax rates	(7,731)	(13,785)
Adjustment from previous years	(404,104)	-
Other	10,666	30,211
	104,448	(138,418)
Flow-through premium	(206,608)	(1,700,938)
Deferred income and mining taxes	(102,160)	(1,839,356)

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14. Deferred income and mining taxes (continued)

As at December 31, 2019 and 2018, the Company has accumulated, for federal and provincial income tax purposes, non-capital losses which can be applied against future years' taxable income and which will expire as follows:

Year	December 31, 2018		December 31, 2017	
	Federal	Provincial	Federal	Provincial
	\$	\$	\$	\$
2025	8,387	7,530	8,387	7,530
2026	5,699	4,765	5,699	4,765
2027	524,066	521,001	524,066	521,001
2028	725,416	718,518	725,416	718,518
2029	724,776	720,746	724,776	720,746
2030	955,459	952,206	955,459	952,206
2031	792,271	777,709	792,271	777,709
2032	1,114,872	1,100,591	1,114,872	1,100,591
2033	865,813	842,225	865,813	842,225
2034	808,358	800,904	808,358	800,904
2035	697,789	694,214	697,789	694,214
2036	584,553	580,931	584,553	580,931
2037	1,557,695	1,557,695	1,179,203	1,179,203
2038	1,337,356	1,337,356	1,337,356	1,337,356
2039	1,228,784	1,228,784	-	-
	11,931,294	11,845,175	10,324,018	10,237,899

Deferred tax asset unrecognized

Deferred tax assets have not been recognized as it is not probable that future taxable profits will be available and against which unused tax losses and unused tax credits could be charged. Deferred tax assets have not been recognized in respect of:

	December 31, 2019	December 31, 2018
	\$	\$
Non-capital losses	1,968,172	1,341,827
Financial asset measured at fair value	48,543	48,674
	2,016,715	1,390,501

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Notes to the Financial Statements for the years ended December 31, 2019 and 2018 (In Canadian \$)

14. Deferred income and mining taxes (continued)

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2019	December 31, 2018
	\$	\$
Property, plant and equipment	55,675	54,855
Right-of-use assets	923	0
Non-capital losses	1,183,717	980,030
Share issue cost	230,961	268,440
Deferred tax assets	1,471,276	1,303,325
Mining assets and deferred exploration expenses	(3,440,950)	(3,060,299)
Deferred tax liabilities	(1,969,674)	(1,756,974)

Change in deferred tax

	Balance December 31, 2018	Recognized in profit or (loss)	Balance December 31, 2019
	\$	\$	\$
Property, plant and equipment	54,855	820	55,675
Right-of-use assets	-	923	923
Deferred exploration costs	(3,060,299)	(380,651)	(3,440,950)
Non-capital losses	980,030	203,687	1,183,717
Share issue cost	268,440	(37,479)	230,961
Total	(1,756,974)	(212,700)	(1,969,674)

Change in deferred tax

	Balance December 31, 2017	Recognized in profit or (loss)	Balance December 31, 2018
	\$	\$	\$
Property, plant and equipment	54,156	699	54,855
Deferred exploration costs	(3,334,136)	273,837	(3,060,299)
Non-capital losses	1,176,070	(196,040)	980,030
Share issue cost	361,957	(93,517)	268,440
Total	(1,741,953)	(15,021)	(1,756,974)

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15. Contingencies and commitments

The Company is partially financed through the issuance of flow-through shares. However, there is no guarantee that its expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors. Moreover, tax rules regarding flow-through placements set deadlines for carrying out the exploration work no later than the first of the following dates:

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

If the Company does not incur eligible exploration expenditures it will be required to indemnify the holders of such shares against all taxes and other expenses incurred as a result of the Company not incurring the required exploration expenses.

During the year ended December 31, 2019, the Company received an amount of \$3,021,873 from flow-through

The Company renounced tax deductions related to the 2017 flow-through financings and a liability related to flow-through shares issued in 2019, totaling \$970,097 was recorded at the time of issuance (see note 9). Management was required to incur eligible exploration expenditures before December 31, 2020. As at December 31, 2019, the flow-through share liability was \$763,489 (nil as at December 31, 2018).

16. Transactions with key management personnel

The Company's key management personnel are members of the Board of Directors, the president, the vice-president and chief financial officer. The remuneration of key management personnel includes the following expenses:

	December 31, 2019	December 31, 2018
	\$	\$
Short-term employee benefits		
Salaries and fees including bonuses and benefits	494,144	550,485
Social security costs and contributions to the pension plan	51,824	44,904
Total short-term employee benefits	545,968	595,389
Share-based payments-employees	267,860	414,440
Total remuneration	813,828	1,009,829

During the year ended in 2019, two key management personnel exercised a total of 400,000 share options granted through the share-based payment plans (2018 - nil).

17. Related party transactions

During the year 2019, the Company paid \$680 (\$2,635 as at December 31, 2018) to the spouse of a director for consultant fees. As at September 30, 2019, this amount has been recorded in administrative expenses in "business development expenditures (analysts and brokers)" in the statements of profit or loss and no amount is payable.

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18. Capital disclosures

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

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

The Company expects that its current capital resources and its ability to obtain additional financing will support further exploration and development of its mineral properties for the next 12 months.

The Company is not subject, with regards to external rules, to any requirements regarding its capital, unless the Company completes a flow-through financing for which the cash must be reserved for exploration. As at December 31, 2019, the Company has \$2,373,547 cash reserved for exploration (nil as at December 31, 2018).

19. Subsequent Event

In March 2020, the World Health Organization declared the COVID-19 epidemic a pandemic. The situation is constantly evolving, and the measures put in place have numerous economic repercussions at the global, national, provincial and local levels. These measures, which include travel bans, solitary confinement or quarantine, voluntary or not, and social distancing, have caused significant disruption among businesses, globally and in Canada, due to the slowdown economic. Governments and central banks responded by implementing monetary and fiscal measures to stabilize the world economy; however, the current difficult economic climate may cause adverse changes in cash flow, the level of working capital and / or the search for future financing, which could have a direct impact on its future financial position. The financial impact on society is not known at this time. The impacts will be adequately reflected in fiscal 2020.