

Cartier Resources Inc.

(an exploration company)

Interim condensed Financial statements (unaudited)

Second quarter ended June 30, 2020

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Financial Position (Unaudited)

(In Canadian \$)	June 30, 2020	December 31, 2019
	\$	\$
Assets		
Current		
Cash and cash equivalents (note 2)	5,432,621	7,670,167
Other short-term financial assets (note 3)	-	28,638
Receivables (note 4)	747,380	742,074
Prepaid expenses	76,433	35,835
	<u>6,256,434</u>	<u>8,476,714</u>
Non-current		
Property, plant and equipment	6,956	6,520
Right-of-use assets (note 5)	132,335	153,361
Mining assets and deferred exploration costs (note 6)	19,227,526	16,852,669
	<u>19,234,817</u>	<u>17,012,550</u>
TOTAL ASSETS	<u>25,623,251</u>	<u>25,489,264</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	579,982	241,541
Current portion of lease obligations (note 7)	38,564	50,018
Liability related to flow-through shares (note 13)	22,995	763,489
	<u>641,541</u>	<u>1,055,048</u>
Non-current		
Lease obligations (note 7)	98,360	106,826
Loan (note 8)	30,000	-
Deferred income and mining taxes	2,344,939	1,969,674
	<u>2,473,299</u>	<u>2,076,500</u>
TOTAL LIABILITIES	<u>3,114,840</u>	<u>3,131,548</u>
EQUITY		
Share capital (note 9)	37,427,233	37,203,150
Contributed surplus	2,943,279	2,888,116
Deficit	(17,966,674)	(17,755,275)
Accumulated other comprehensive loss	104,573	21,725
	<u>22,508,411</u>	<u>22,357,716</u>
TOTAL EQUITY	<u>22,508,411</u>	<u>22,357,716</u>
TOTAL LIABILITIES AND EQUITY	<u>25,623,251</u>	<u>25,489,264</u>

Basis of preparation and going concern (note 1)

Contingencies and commitments (note 14)

Subsequent event (note 18)

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

Approved on behalf of the Board of Directors

(Signed) Philippe Cloutier, Director

(Signed) Daniel Massé, Director

Cartier Resources Inc.

(an exploration company)

Unaudited Interim Condensed Statements of changes in equity

(Unaudited)

(In Canadian \$)

	Number of shares	Share capital \$	Warrants \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive (loss) \$	Total equity \$
BALANCE AS AT DECEMBER 31, 2019	191,630,762	37,203,150	-	2,888,116	(17,755,275)	21,725	22,357,716
Net loss for the period	-	-	-	-	(211,399)	-	(211,399)
Gain on disposal of other short-term financial assets	-	-	-	-	-	82,848	82,848
Total comprehensive loss	-	-	-	-	(211,399)	82,848	(128,551)
Effect of share-based payments (note 9)	-	-	-	147,996	-	-	147,996
Issuance of options (note 9)	1,175,000	224,083	-	(92,833)	-	-	131,250
BALANCE AS AT JUNE 30, 2020	192,805,762	37,427,233	-	2,943,279	(17,966,674)	104,573	22,508,411
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 period	-	-	-	-	(578,904)	-	(578,904)
Change in fair value of other short-term financial assets	-	-	-	-	-	(5,925)	(5,925)
Total comprehensive loss	-	-	-	-	(578,904)	(5,925)	(584,829)
Effect of share-based payments (note 9)	-	-	-	168,757	-	-	168,757
Expired warrants	-	-	(89,971)	-	89,971	-	-
BALANCE AS AT JUNE 30, 2019	177,104,747	35,288,268	94,014	2,793,964	(17,443,330)	14,812	20,747,728

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

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of loss and comprehensive loss

(Unaudited)

(In Canadian \$)

	Three-month periods ended		Six-month periods ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	\$	\$	\$	\$
Administrative expenses				
Salaries	110,939	92,258	217,455	185,136
Consultants	834	698	2,039	2,948
Share-based payments-employees (note 9 and 10)	56,542	64,085	97,261	124,273
Share-based payments-consultants (note 9)	20,925	2,066	20,925	5,903
Professional fees	11,906	17,394	53,938	22,914
Business development expenditures (analysts and brokers)	28,200	42,415	63,422	73,299
Road shows and gold shows	-	40,894	13,395	65,863
Investor relations	25,323	32,759	67,356	58,866
Insurance, taxes and permits	2,692	2,566	8,300	8,030
Financial expenses (note 11)	3,238	3,082	7,524	6,489
Depreciation of property, plant and equipment	274	-	274	-
Depreciation of right-of-use assets	4,917	3,278	9,834	3,934
Office supplies	3,581	2,776	12,086	10,864
Telecommunications	2,218	2,170	4,387	4,537
Training and travel	459	8,350	7,038	22,146
Advertising and sponsoring	512	8,821	3,414	11,304
Information to shareholder	14,127	17,648	25,298	31,300
Part XII.6 tax related to flow-through shares	5,383	-	12,692	-
	292,070	341,260	626,638	637,806
Other expenses (income)				
Other exploration costs	3,556	560	4,731	945
Gain linked to an interest-free loan (note 8)	(10,000)	-	(10,000)	-
Interest income	(14,656)	(29,423)	(44,741)	(60,500)
Loss before deferred income and mining taxes	(270,970)	(312,397)	(576,628)	(578,251)
Deferred income and mining taxes	(140,841)	1,931	(365,229)	653
Net loss for the period attributable to shareholders	(130,129)	(314,328)	(211,399)	(578,904)
Change in fair value of other short-term financial assets	-	(8,888)	-	(5,925)
Gain on disposal of other short-term financial assets	65,073	-	82,848	-
Comprehensive loss for the period attributable to shareholders	(65,056)	(323,216)	(128,551)	(584,829)
Loss per share basic and diluted	(0.00)	0.00	(0.00)	0.00
Weighted average number of common shares outstanding basic	192,239,277	177,104,747	191,935,022	177,104,747
diluted	194,719,120	177,701,750	193,539,190	177,766,581

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

Cartier Resources Inc.

(an exploration company)

Interim Condensed Statements of Cash Flows Unaudited (Unaudited)

(In Canadian \$)

	Six-month periods ended	
	June 30, 2020	June 30, 2019
	\$	\$
OPERATING ACTIVITIES		
Net Loss	(211,399)	(578,904)
Adjustments for:		
Deferred income and mining taxes	(365,229)	653
Share-based payments-employees (note 9 and 10)	97,261	124,273
Share-based payments-consultants (note 9)	20,925	5,903
Gain linked to an interest-free loan	(10,000)	-
Depreciation of property, plant and equipment	274	-
Interests on lease obligations	941	688
Depreciation of right-of-use assets	9,834	3,934
Interest income	(44,741)	(60,500)
Interest paid	(941)	-
Interest received	40,511	52,180
	<u>(462,564)</u>	<u>(451,773)</u>
Net change in non-cash working capital items		
Receivables	(1,076)	120,143
Prepaid expenses	(40,598)	64,937
Accounts payables and accrued liabilities	78,002	(25,227)
	<u>(426,236)</u>	<u>(291,920)</u>
Cash flows used in operating activities		
	<u>(426,236)</u>	<u>(291,920)</u>
FINANCING ACTIVITIES		
Shares issue expenses	(6,710)	-
Loan (note 8)	40,000	-
Exercise of options	131,250	-
Payments on lease obligations	(19,920)	(22,749)
	<u>144,620</u>	<u>(22,749)</u>
Cash flows from (used in) financing activities		
	<u>144,620</u>	<u>(22,749)</u>
INVESTING ACTIVITIES		
Disposal of other short-term financial assets	111,486	-
Acquisition of property, plant and equipment	(1,685)	(1,613)
Interest paid on lease obligations capitalized as mining assets and deferred exploration costs	(1,887)	-
Acquisition of mining assets and deferred exploration costs	(2,063,844)	(2,173,617)
	<u>(1,955,930)</u>	<u>(2,175,230)</u>
Cash flows used in investing activities		
	<u>(1,955,930)</u>	<u>(2,175,230)</u>
Net change in cash and cash equivalents	(2,237,546)	(2,489,899)
Cash and cash equivalents at the beginning	7,670,167	7,572,963
Cash and cash equivalents at the end (note 2)	5,432,621	5,083,064

Additional information (note 12)

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

Cartier Resources Inc.

(an exploration company)

Interim Condensed Notes to the Financial Statements

Three-month periods ended June 30, 2020 and 2019 (Unaudited)

(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 August 18, 2020, the Company's Board of Directors approved these unaudited interim condensed financial statements for the period ended June 30, 2020.

1. Basis of preparation and going concern

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

The unaudited interim condensed financial statements have been prepared on a going concern basis, meaning that the Company will be able to realize 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 the Company has been successful in securing financings in the past, 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, nor has it 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 explore and develop its properties, and upon future profitable production or proceeds from the disposal of properties.

In March 2020, the World Health Organization declared the COVID-19 epidemic a pandemic. The situation is continually 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 economic slowdown. Governments and central banks have responded by implementing monetary and fiscal measures to stabilize the world economy; however, the current challenging economic climate may cause adverse changes in cash flow, the level of working capital and the search for future financing, which could have a direct impact on the Company's future financial position. The Company has implemented measures to mitigate the impact of the pandemic on its future operations.

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 unaudited interim condensed 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.

Cartier Resources Inc.

(an exploration company)

Interim Condensed Notes to the Financial Statements

Three-month periods ended June 30, 2020 and 2019 (Unaudited)

(In Canadian \$)

1. Basis of preparation and going concern (continued)

These unaudited interim condensed financial statements have been prepared by the Company's management in accordance with ("IFRS"), and in accordance with IAS 34, "Interim Financial Reporting". They do not include all the information required in annual financial statements in accordance with IFRS. These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2019.

These unaudited interim condensed financial statements have been prepared using the same accounting methods used in the audited financial statements for the year ended December 31, 2019.

The preparation of unaudited interim condensed financial statements in accordance with IAS 34 requires the use of certain critical judgments and accounting estimates. It also requires management to exercise judgment when applying the Company's accounting policies.

In preparing these unaudited interim condensed financial statements, the important judgments that were made by management in applying the Company's accounting policies and the main sources of estimation uncertainty were the same as those described in the audited financial statements for the year ended December 31, 2019.

2. Cash and cash equivalents

As at June 30, 2020 and December 31, 2019, cash and cash equivalents included an account bearing interest and an account without interest, as shown below:

	June 30, 2020		December 31, 2019	
	\$	Interest rate	\$	Interest rate
Account bearing interest	4,805,554	0.20%-1.85%	6,868,800	1.10%-2.50%
Account without interest	627,067	-	801,367	-
Total	5,432,621		7,670,167	

Cash and cash equivalents include \$56,210 (\$2,373,548 as at December 31, 2019) of funds to be expensed in eligible exploration expenses before December 31, 2020.

Cartier Resources Inc.

(an exploration company)

Interim Condensed Notes to the Financial Statements

Three-month periods ended June 30, 2020 and 2019 (Unaudited)

(In Canadian \$)

3. Other short-term financial assets

	June 30, 2020	December 31, 2019
	\$	\$
Marketable securities of a quoted mining exploration company, at fair value	-	28,638

During the six-month period ended June 30, 2020, the Company sold the short-term financial assets it held for an amount of \$111,486 (nil as at December 31, 2019) generating a gain on disposal of short-term financial assets of \$82,848 (nil as of December 31, 2019).

4. Receivables

	June 30, 2020	December 31, 2019
	\$	\$
Credit on mining rights refundable and refundable tax credit for resources	634,487	634,487
Commodity taxes	112,893	107,587
	747,380	742,074

5. Right-of-use assets

	Building	Automotive equipment	Other equipment	Total
	\$	\$	\$	\$
Balance as at December 31, 2019	141,366	2,652	9,343	153,361
Depreciation	(16,631)	(1,592)	(2,803)	(21,026)
Balance as at June 30, 2020	124,735	1,060	6,540	132,335

Cartier Resources Inc.

(an exploration company)

Interim Condensed Notes to the Financial Statements

Three-month periods ended June 30, 2020 and 2019 (Unaudited)

(In Canadian \$)

6. Mining assets and deferred exploration costs

	Chimo Mine	Wilson	Benoist	Fenton	Total
<i>Percentage interest</i>	100%	100%	100%	50%	
	\$	\$	\$	\$	\$
Mining assets					
Balance as at June 30, 2020 and December 31, 2019	457,024	72,000	737,723	24,644	1,291,391
Deferred exploration costs					
Balance as at December 31, 2019	10,550,684	1,092,447	2,391,967	1,526,180	15,561,278
Additions					
Geology	222,511	-	18,034	-	240,545
Drilling	1,771,470	-	-	-	1,771,470
Geochemistry	72,683	-	-	-	72,683
Exploration office expenses	3,265	-	-	-	3,265
Engineering	215,455	-	-	-	215,455
Core shack rental and maintenance	1,815	-	-	-	1,815
Duties, taxes and permits	24,293	-	1,426	41	25,760
Depreciation of exploration leasehold improvements	975	-	-	-	975
Depreciation of right-of-use assets	11,192	-	-	-	11,192
Interest on lease obligations	1,887	-	-	-	1,887
Share-based payments - employees (note 9)	29,810	-	-	-	29,810
Total deferred exploration costs during the period	2,355,356	-	19,460	41	2,374,857
Additions during the period	2,355,356	-	19,460	41	2,374,857
Total deferred exploration costs as at June 30, 2020	12,906,040	1,092,447	2,411,427	1,526,221	17,936,135
Total of mining assets and deferred exploration costs as at June 30, 2020	13,363,064	1,164,447	3,149,150	1,550,865	19,227,526
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.

The Company is subject to royalties on certain properties.

Cartier Resources Inc.

(an exploration company)

Interim Condensed Notes to the Financial Statements

Three-month periods ended June 30, 2020 and 2019 (Unaudited)

(In Canadian \$)

7. Lease obligations

	\$
Lease obligations included in the statement of financial position as at June 30, 2020	
Lease obligation as at December 31, 2019	156,844
Theoretical interests	2,828
Payments	(22,748)
	136,924
Current portion of lease obligations	(38,564)
Lease obligations	98,360
Maturity analysis – contractual undiscounted cash flows	
Less than one year	34,165
One to five years	112,243
Total undiscounted lease obligations as at June 30, 2020	146,408

8. Loan

Loan of \$40,000 from the Canadian Small Business Emergency Account, interest free, repayable by December 31, 2022 with 25% write-off of the loan, up to \$10,000, conditional on repaying the loan at maturity by the Company. The Company recognized a gain related to this loan of \$10,000 during the three and six month periods ended June 30, 2020, because it considers reasonable that the conditions required to recognize the gain will be met.

9. Share capital

Authorized

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

	June 30, 2020		December 31, 2019	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of the period	191,630,762	37,203,150	177,104,747	35,288,268
Shares issued and paid				
Exercise of options (a)	1,175,000	224,083	800,000	123,920
Flow-through private placements (b) (c)	-	-	13,726,015	3,021,873
Renouncement of tax deductions on flow-through shares (b) (c)	-	-	-	(970,097)
	1,175,000	224,083	14,526,015	2,175,696
Share issue expenses (b) (c)	-	-	-	(260,814)
Balance, at end of the period	192,805,762	37,427,233	191,630,762	37,203,150

Cartier Resources Inc.

(an exploration company)

Interim Condensed Notes to the Financial Statements

Three-month periods ended June 30, 2020 and 2019 (Unaudited)

(In Canadian \$)

8. Share capital (continued)

(a) During the six month period ended June 30, 2020, the Company issued 950,000 common shares at a price of \$0.105 and 225,000 common share at a price of \$0.14 totalling \$131,250 following exercise of options whose a fair value of the common share ranged from \$0.135 and \$0.14. 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.

(b) 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.

(c) 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.

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)

Interim Condensed Notes to the Financial Statements

Three-month periods ended June 30, 2020 and 2019 (Unaudited)

(In Canadian \$)

9. Share capital (continued)

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

	June 30, 2020		December 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Outstanding - Beginning	14,600,000	0.16	14,100,000	0.17
Granted-employees	2,200,000	0.22	3,400,000	0.12
Granted-consultants	-	-	300,000	0.14
Exercised	(1,175,000)	0.11	(800,000)	0.10
Expired	(75,000)	0.14	(2,400,000)	0.18
Outstanding - End	15,550,000	0.17	14,600,000	0.16
Exercisable - End	12,625,000	0.17	11,950,000	0.17

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

Exercise price	Outstanding options June 30, 2020			Exercisable options June 30, 2020		
	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	11,475,000	2.70	0.14	10,750,000	2.59	0.14
\$0.21 to \$0.30	4,075,000	3.55	0.25	1,875,000	1.88	0.30
\$0.10 to \$0.30	15,550,000	2.92	0.17	12,625,000	2.48	0.17

The weighted average fair value of share options granted was estimated using the Black-Scholes model at \$0.13 (\$0.16 in 2019) per option using the following assumptions:

	2020	2019
Risk-free interest rate	0.35%	1.48%
Expected volatility	78%	84%
Dividend yield	Nil	Nil
Weighted average expected life	5 years	5 years

During the three and six-month periods ended June 30, 2020, the share-based payment expense was \$94,502 and \$147,996 (\$85,943 and \$168,757 for the three and six-month periods ended June 30, 2019). An amount of \$77,467 and \$118,186 (\$66,151 and \$130,176 for the same periods in 2019) for the same periods was presented in the statement of loss and an amount of \$17,035 and \$29,810 (\$9,791 and \$38,581 for the same periods in 2019) for the same periods was presented in mining assets and deferred exploration costs.

Cartier Resources Inc.

(an exploration company)

Interim Condensed Notes to the Financial Statements

Three-month periods ended June 30, 2020 and 2019 (Unaudited)

(In Canadian \$)

10. Employee remuneration

Employee benefits recognized are detailed below:	Three-month periods ended		Six-month periods ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	\$	\$	\$	\$
Salaries and fees	156,100	148,750	322,620	313,654
Fringe benefits	14,249	11,743	31,017	27,738
Share-based payments-employees	73,577	83,876	127,071	162,853
Defined contribution pension plan	12,674	9,506	17,443	18,411
	<u>256,600</u>	<u>253,875</u>	<u>498,151</u>	<u>522,656</u>
Less: salaries and share-based payments-employees capitalized in exploration and evaluation assets	<u>(88,994)</u>	<u>(81,998)</u>	<u>(176,779)</u>	<u>(185,083)</u>
Employee benefits	<u>167,606</u>	<u>171,877</u>	<u>321,372</u>	<u>337,573</u>

Employee benefits expense is allocated to the following items:

Salaries	110,939	92,258	217,455	185,136
Share-based payments-employees	56,542	64,085	97,261	124,273
Road shows and gold shows	-	15,534	5,670	26,270
Training and travel	125	-	986	1,894
	<u>167,606</u>	<u>171,877</u>	<u>321,372</u>	<u>337,573</u>

11. Financial expenses

	Three-month periods ended		Six-month periods ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	\$	\$	\$	\$
Interest and bank charges	2,984	2,748	6,583	5,801
Theoretical interests on lease obligations	254	334	941	688
Total of financial expenses	<u>3,238</u>	<u>3,082</u>	<u>7,524</u>	<u>6,489</u>

Cartier Resources Inc.

(an exploration company)

Interim Condensed Notes to the Financial Statements

Three-month periods ended June 30, 2020 and 2019 (Unaudited)

(In Canadian \$)

12. Cash flows

Additional information	Six-month periods ended	
	June 30, 2020	June 30, 2019
	\$	\$
Items not affecting cash and cash equivalents related to operating, financing and investing activities		
Variation of share issue expenses included in accounts payable and accrued liabilities	(6,710)	-
Depreciation of property, plant and equipment capitalised to deferred exploration costs	975	1,565
Depreciation of right-of-use assets capitalised to deferred exploration costs	11,192	17,092
Variation of deferred exploration costs included in accounts payable and accrued liabilities	(267,149)	(166,483)
Share-based payments-employees charged to deferred exploration costs	29,810	38,581
Interest on lease obligations capitalized to deferred exploration costs	1,887	2,985
Credits on mining taxes applied against deferred exploration costs	-	470,388

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 as well as its risk management policies.

Interest risk

As at June 30, 2020, the Company is not exposed to interest rate risk since no financial instrument bears interest.

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. While the Company has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

Cartier Resources Inc.

(an exploration company)

Interim Condensed Notes to the Financial Statements

Three-month periods ended June 30, 2020 and 2019 (Unaudited)

(In Canadian \$)

13. Financial Instruments (continued)

Liquidity risk analysis

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

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

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:

	June 30, 2020	December 31, 2019
	\$	\$
Cash and cash equivalents	<u>5,432,621</u>	<u>7,670,167</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 the fair value based on the close date.

The carrying amount of the non-current liability, which includes the loan, approximates its fair value because market conditions have not changed significantly between the date of the transactions and June 30, 2020.

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(an exploration company)

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14. Contingencies and commitments

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

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 six-month period ended June 30, 2020, the Company did not receive any amount (\$3,021,873 as at December 31, 2019) from flow-through financings. From this amount received in 2019, \$2,317,338 was used during the six-month period ended June 30, 2020 (\$648,325 as at December 31, 2019). As of June 30, 2020, there is an amount of \$56,210 (\$ 2,373,548 as of December 31, 2019) which must be spent as eligible exploration expenses before December 31, 2020.

The Company renounced tax deductions related to the 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 June 30, 2020, the flow-through share liability was \$22,995 (\$763,489 as at December 31, 2019).

15. 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:

	Six-month periods ended		Six-month periods ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	\$	\$	\$	\$
Short-term employee benefits				
Salaries and fees including bonuses and benefits	130,537	124,292	268,541	263,174
Social security costs and contributions to the pension plan	17,692	16,764	38,888	36,753
Total short-term employee benefits	148,229	141,056	307,429	299,927
Share-based payments-employees	65,098	75,027	112,371	145,716
Total remuneration	213,327	216,083	419,800	445,643

During the six-month periods ended as at June 30, 2020, three of the key management personnel exercised a total of 450,000 stock options granted through the stock-based payment plans (nil and 2019).

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(an exploration company)

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16. Related party transactions

The Company had no related party transactions during the six months ended June 30, 2020. During the year ended December 31, 2019, the Company paid \$680 to the spouse of a director for consultant fees. As at December 31, 2019, this amount has been recorded in administrative expenses under "Business development (analysts and brokers)" in the statements of profit or loss, and no amount is payable.

17. 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 March 31, 2020, the Company has \$56,210 (\$2,373,547 as at December 31, 2019) cash reserved for exploration.

18. Subsequent Event

On August 11, 2020, the Company completed a private placement through Paradigm Capital Inc. The Company issued 21,778,200 flow-through shares at a price of \$0.43 per flow-through share for total gross proceeds of \$9,364,626.

In connection with the offering, the agent received a cash commission equal to 6% of the gross proceeds received by the Company and broker warrant, equal to 6% of the number of flow-through shares sold pursuant. Each broker warrant shall entitle the holder thereof to acquire one common share at a price of \$0.43 for a period of 12 months following the closing date.