



Financial Statements

Lamaune Iron Inc.

(A Development Stage Entity)

December 31, 2018

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Independent Auditor's Report

To the shareholder of
Lamaune Iron Inc.

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Opinion

We have audited the financial statements of Lamaune Iron Inc. ("the Company"), which comprise the statements of financial position as at December 31, 2018 and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates that the Company has not yet achieved profitable production and has accumulated losses of \$7,336,251 at December 31, 2018. This condition, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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.

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 International Financial Reporting Standards (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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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 represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Grant Thornton LLP

Thunder Bay, Canada
April 10, 2019

Chartered Professional Accountants
Licensed Public Accountants

Lamaune Iron Inc.
(A Development Stage Entity)
Statements of Loss and Comprehensive Loss

Year ended December 31	2018	2017
	\$	\$
General and administration	7,107	23,643
Professional fees	5,944	31,683
Loss and comprehensive loss for year	(13,051)	(55,326)

See accompanying notes to the financial statements.

Lamaune Iron Inc.
(A Development Stage Entity)
Statements of Financial Position

As at December 31	2018	2017
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	2,396	—
HST receivable	10,800	8,178
Total assets	13,196	8,178
LIABILITIES		
Current		
Bank indebtedness	—	7,299
Accounts payable and accrued liabilities <i>[note 7]</i>	52,171	26,803
Total current liabilities	52,171	34,102
EQUITY		
Share capital <i>[note 6]</i>	7,297,276	7,297,276
Deficit	(7,336,251)	(7,323,200)
Total equity	(38,975)	(25,924)
Total liabilities and equity	13,196	8,178

See accompanying notes to the financial statements.

On behalf of the Board:

“Richard Prickett”
 Director

“William H. Humphries”
 Director

Lamaune Iron Inc.
(A Development Stage Entity)
Statements of Changes in Equity
Year ended December 31, 2018

	# of Shares	Share Capital \$	Deficit \$	Total Equity \$
Balance at December 31, 2016	64,021,343	1,137,956	(7,267,874)	(6,129,918)
Loss for year	—	—	(55,326)	(55,326)
Shares issued [note 5]	576,192,087	6,159,320	—	6,159,320
Balance at December 31, 2017	640,213,430	7,297,276	(7,323,200)	(25,924)
Loss for year	—	—	(13,051)	(13,051)
Balance at December 31, 2018	640,213,430	7,297,276	(7,336,251)	(38,975)

See accompanying notes to the financial statements.

Lamaune Iron Inc.
(A Development Stage Entity)
Statement of Cash Flows

Year ended December 31	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Loss for year	(13,051)	(55,326)
Change in non-cash operating working capital		
HST receivable	(2,622)	1,276
Accounts payable and accrued liabilities	25,368	8,088
Cash provided by (used in) operating activities	9,695	(45,962)
Increase (decrease) in cash and cash equivalents	9,695	(45,962)
Cash and cash equivalents (bank indebtedness), beginning of year	(7,299)	38,663
Cash and cash equivalents (bank indebtedness), end of year	2,396	(7,299)

See accompanying notes to the financial statements.

Lamaune Iron Inc.
(A Development Stage Entity)
Notes to the Financial Statements

December 31, 2018

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is engaged in the business of acquisition, evaluation and exploration of mineral properties. Substantially all of the efforts of the Company are devoted to these business activities.

At December 31, 2018, the Company had not yet achieved profitable production and had accumulated losses of \$7,336,251 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company will require additional financing in order to complete its planned work programs on its mineral properties, meet its ongoing level of corporate overhead and discharge its liabilities as they become due. These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. These financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities other than in the normal course of business and at amounts which may differ from those shown in the financial statements. Such adjustments could be material.

Management plans to secure the necessary financing through the issue of new equity. Nevertheless, there is no assurance that this initiative will be successful.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance to International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Lamaune Iron Inc.
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Notes to the Financial Statements

December 31, 2018

Income taxes

The tax expense represents the sum of the tax payable and deferred tax. Taxable profit differs from net profit/loss as reported in the statements of loss and comprehensive loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. Current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the statements of loss and comprehensive loss, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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

Financial assets and financial liabilities are measured initially at fair value adjusted by transaction costs, and subsequently accounted for at amortized cost, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Lamaune Iron Inc.
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Notes to the Financial Statements

December 31, 2018

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

Financial assets

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

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

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

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

All income and expenses relating to financial assets that are recognized in profit or loss are presented within "general and administrative costs", "investment income" or "other income".

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

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December 31, 2018

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The Company currently does not hold any assets designated into this category.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company currently does not hold any investments designated into this category.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company does not hold any available-for-sale financial assets.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within "interest income".

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Lamaune Iron Inc.
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Notes to the Financial Statements

December 31, 2018

Financial liabilities

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

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

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "general and administration costs".

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each statement of financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment has been impacted. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default of delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectable, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

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The Company does not have any derivative financial instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with bank.

Significant judgments and sources of estimate uncertainty

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Significant estimates:

[i] Deferred taxes

Significant estimates include the provision for income taxes which is included in the statements of loss and comprehensive loss and the composition of deferred income tax assets and liabilities included in the statements of financial position or notes which have not yet been confirmed by the taxation authorities.

Mineral property expenditures

The Company follows the practice of charging to income all costs related to the acquisition of, exploration for and evaluation of mineral claims. Exploration and evaluation costs include the costs of acquiring rights and licences and costs associated with exploration and evaluation activities (e.g. geological and geophysical studies, exploration drilling and sampling).

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

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Share-based payment transactions

The Company's parent operates equity-settled share-based remuneration plans for the directors, officers, key employees and consultants of the Company. None of these plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date.

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to "reserves".

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. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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Environmental rehabilitation

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed each reporting period for changes in cost estimates, discount rates and operating lives. Changes to estimated future costs are recognized in the statements of financial position by adjusting the rehabilitation asset and liability.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting standards issued and effective January 1, 2018, recently adopted

The Company has assessed the following changes to accounting standards and determined that there was no material impact on the financial statements:

- IFRS 15, Revenue from Contracts with Customers establishes a single model in accounting for revenue arising from contracts with customers. This supercedes current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations; and
- IFRS 9, Financial Instruments introduces new requirements for the classification and measurement of financial assets and liabilities.

Accounting standards issued and effective January 1, 2019

The Company is currently assessing the impact that the following changes to accounting standards will have on the financial statements:

- IFRS 16, Leases introduces new requirements for the classification and measurement of leases.
- IFRIC 23, Uncertainty over Income Tax Treatments

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4. INCOME TAXATION

[a] Provision for income taxes

The provision for income taxes differs from the amount that would have resulted by applying Canadian federal and provincial statutory tax rate of approximately 26.5% [2017 – 26.5%] as follows:

	2018	2017
	\$	\$
Expected income tax recovery calculated using statutory rate	(3,458)	(14,661)
Losses not tax-benefitted	3,458	14,661
Income tax expense	—	—

[b] Deferred tax balances

The tax effects of temporary differences that give rise to deferred income tax assets at the future enacted rate of 26.5% [2017 – 26.5%] are as follows:

	2018	2017
	\$	\$
Deferred tax assets		
Resource properties	1,077,000	1,077,000
Deferred tax assets not recognized	(1,077,000)	(1,077,000)
	—	—

Lamaune Iron Inc.
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Notes to the Financial Statements

December 31, 2018

5. NOTE AND ACCRUED INTEREST PAYABLE

A note payable was issued by the Company to Landore Resources Canada Inc. ("Landore"), a company under common control, for the purchase of the Lamaune mineral property in 2011. The note was originally due December 10, 2012, but the parties agreed to extend the repayment date to April 30, 2019 through a series of amendments.

On October 12, 2017, the Company issued a total of 576,192,087 common shares to Landore at a price of \$0.010689699 per share of Lamaune as settlement for the \$6,159,320 note receivable. Lamaune is now controlled by Landore, who owns 90% of the issued and outstanding common shares of the Company.

6. SHARE CAPITAL

	2018	2017
	\$	\$
Authorized		
Unlimited common shares		
Issued		
640,213,430 common shares		
[2017 – 640,213,430 common shares]	7,297,276	7,297,276

[a] Authorized

Unlimited number of voting, common shares without nominal or par value.

[b] Common shares issued and outstanding

The following is a summary of the changes in common share capital during the period:

	Number of Shares	Amount \$
Balance December 31, 2018	640,213,430	7,297,276

[c] Warrants

The following table reflects the continuity of unit warrants:

Expiry date	Exercise price \$	2018 \$	2017 \$
April 30, 2019	0.20	10,000,000	10,000,000

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7. RELATED PARTY TRANSACTIONS

At year-end, advances are payable to Landore Resources Canada Inc. in the amount of \$48,500 [2017 - \$10,000] which is included accounts payable and accrued liabilities.

8. FINANCIAL INSTRUMENTS/FINANCIAL RISK MANAGEMENT

In the course of its business, the Company is exposed primarily to liquidity risk and capital management risk. As the Company grows, it is expected that capital management risk, foreign exchange risk, credit risk and interest rate risk will also become focuses of the Company's financial risk management policies.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders. The Company meets its capital needs by assessing funds from the parent. The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The objectives will be achieved by maintaining and adding value to existing extraction projects and identifying new exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statements of financial position. Capital for the reporting periods under review is summarized in the statements of changes in equity.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company attempts to accurately forecast the cash flow requirements of its ongoing operations and ensures that it has sufficient funding in place to meet these needs.

The Company currently uses funds from the parent as its main source of funding.

Accounts payable and accrued liabilities are due within the current operating period.

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Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right to set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk and overall the Company credit risk has not changed significantly from the prior year.

Management reviews the Company's accounts receivable on an annual basis to assess whether there are indicators of impairment. No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to cash and accounts receivable.

Foreign currency risk

The Company primarily operates in Canada but receives cash in GBP Sterling. Currently, the Company's net asset position is not significantly impacted by movements in the exchange rate.

As the Company remains in an exploration and evaluation phase entity, it only has small and infrequent foreign currency transaction exposures.

In addition, the market for metals is principally denominated in United States dollars. As the Company has not reached production stage, it does not currently engage in active hedging to minimize exchange rate risk, although this will remain under review.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.