



**SOKOMAN IRON CORP.**

**Consolidated Financial Statements**

**For the Years Ended**

**June 30, 2018 and 2017**

# S & W LLP

## Chartered Professional Accountants

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### INDEPENDENT AUDITOR'S REPORT

#### **To the Shareholders of Sokoman Iron Corp.:**

We have audited the accompanying consolidated financial statements of Sokoman Iron Corp., which comprise the consolidated statements of financial position as at June 30, 2018 and June 30, 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Consolidated Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sokoman Iron Corp. as at June 30, 2018 and June 30, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which discloses conditions that indicate the existence of a material uncertainty that may cast significant doubt about Sokoman Iron Corp.'s ability to continue as a going concern.

**Other Matter**

Without modifying our opinion, we draw attention to Note 12 to the restated consolidated financial statements, which indicates that the Company corrected an error related to the granting of stock options for the year ended June 30, 2017. The comparative numbers have been restated from those on which we originally reported on October 30, 2017.

A handwritten signature in black ink that reads "S + W LLP". The letters are stylized and slanted to the right.

October 29, 2018  
Toronto, Canada

S&W LLP  
Chartered Professional Accountants, Licensed Public Accountants

SOKOMAN IRON CORP.  
Consolidated Statements of Financial Position  
As at June 30, 2018

		2018	2017
	Notes	\$	\$
<b>Assets</b>			
Current			
Cash		556,021	203,448
HST receivable		-	2,811
Prepaid expenses		3,422	-
Security deposit	4	4,500	6,500
		<u>563,943</u>	<u>212,759</u>
<b>Long Term</b>			
Exploration and evaluation assets	6	860,316	455,815
Property and equipment, net	5	6,108	7,944
		<u>866,424</u>	<u>463,759</u>
<b>Total Assets</b>		<u>1,430,367</u>	<u>676,518</u>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities	8	64,239	73,499
Deferred premium on flow through shares		2,006	-
		<u>66,245</u>	<u>73,499</u>
<b>Shareholders' Equity</b>			
Share capital	9(a)	8,542,247	7,692,471
Warrants	9(b)	809,097	375,700
Contributed surplus	9(e)	3,769,842	3,769,842
Deficit		(11,757,064)	(11,234,994)
<b>Total Shareholders' Equity</b>		<u>1,364,122</u>	<u>603,019</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u>1,430,367</u>	<u>676,518</u>
Nature of operations and going concern	1		

Approved by the Board on October 29, 2018

Signed: "Tim Froude"

Signed: "Colin Bowdidge"

**SOKOMAN IRON CORP.**  
**Consolidated Statements of Changes in Equity**

	Number of Shares	Share Capital \$	Warrants \$	Contributed Surplus \$	Deficit \$	Total \$
<b>Balance, June 30, 2017</b>	31,710,438	7,692,471	375,700	3,769,842	(11,234,994)	603,019
Shares issued to acquire property	500,000	17,500	-	-	-	17,500
Shares issued to acquire property	150,000	8,250	-	-	-	8,250
Private placement	12,020,000	604,000	-	-	-	604,000
Share issue costs	-	(30,770)	-	-	-	(30,770)
Warrants	-	(201,333)	201,333	-	-	-
Private placement	1,765,000	103,900	-	-	-	103,900
Share issue costs	-	(7,486)	-	-	-	(7,486)
Warrants	-	(69,347)	69,347	-	-	-
Private placement	2,916,000	174,960	-	-	-	174,960
Share issue costs	-	(13,122)	-	-	-	(13,122)
Warrants	-	(60,596)	60,596	-	-	-
Broker warrants	-	(47,362)	47,362	-	-	-
Shares issued to acquire property	1,550,000	77,500	-	-	-	77,500
Shares issued to acquire property	7,754,371	310,175	-	-	-	310,175
Warrants Moosehead acquisition	-	-	54,759	-	-	54,759
Deferred premium on flow through units	-	(16,493)	-	-	-	(16,493)
Loss and comprehensive loss	-	-	-	-	(522,070)	(522,070)
<b>Balance, June 30, 2018</b>	<b>58,365,809</b>	<b>8,542,247</b>	<b>809,097</b>	<b>3,769,842</b>	<b>(11,757,064)</b>	<b>1,364,122</b>
<b>Balance, June 30, 2016 - Restated Note 12</b>	18,050,438	7,537,761	9,700	3,599,940	(10,867,685)	279,716
Private placement - July 2016	5,000,000	100,000	-	-	-	100,000
Share issue costs	-	(1,050)	-	-	-	(1,050)
Warrants	-	(78,000)	78,000	-	-	-
Private placement - December 2016	900,000	45,000	-	-	-	45,000
Warrants	-	(41,500)	41,500	-	-	-
Private placement - January 2017	5,460,000	273,000	-	-	-	273,000
Share issue costs	-	(19,040)	-	-	-	(19,040)
Warrants	-	(256,200)	256,200	-	-	-
Warrants expired	-	-	(9,700)	9,700	-	-
Shares issued to acquire property	2,300,000	132,500	-	-	-	132,500
Black scholes on stock options	-	-	-	160,202	-	160,202
Loss and comprehensive loss	-	-	-	-	(367,309)	(367,309)
<b>Balance, June 30, 2017</b>	<b>31,710,438</b>	<b>7,692,471</b>	<b>375,700</b>	<b>3,769,842</b>	<b>(11,234,994)</b>	<b>603,019</b>

*The accompanying notes are an integral part of these consolidated financial statements*

SOKOMAN IRON CORP.  
Consolidated Statements of Loss and Comprehensive Loss  
For the Years Ended June 30

	Notes	2018 \$	2017 \$
			Restated Note 12
<b>Expenses</b>			
Mineral exploration expenses	7, 10	338,844	128,947
Office and general	10	14,502	8,002
Filing fees		11,528	17,547
Business development		12,499	5,212
Management fees	10	44,500	25,500
Professional fees	7, 10	22,000	16,000
Salaries	10	13,950	5,655
Write down of mineral properties		78,538	-
Stock based compensation		-	160,202
Amortization		196	244
Net loss before tax		536,557	367,309
Flow Through share premium renunciation		(14,487)	-
Net Loss and comprehensive loss		522,070	367,309
Deficit, beginning of year		11,234,994	10,867,685
Deficit, end of year		11,757,064	11,234,994
<b>Loss per share</b>		0.012	0.014
<b>Weighted average number of shares</b>		45,329,527	26,606,390

*The accompanying notes are an integral part of these consolidated financial statements*

SOKOMAN IRON CORP.  
Consolidated Statements of Cash Flows  
For the Years Ended June 30

	2018	2017
	\$	\$
		<b>Restated Note 12</b>
<b>Operating activities</b>		
<b>Net loss for the period</b>	(522,070)	(367,309)
<b>Add back / deduct non cash expenses</b>		
Amortization	196	244
Amortization in exploration expenses	1,640	2,187
Flow Through share premium renunciation	(14,487)	-
Stock based compensation	-	160,202
Write down of mineral properties	78,538	-
<b>Total Non Cash Expenses</b>	65,887	162,633
Changes in working capital		
HST receivable	2,811	(49)
Prepaid expenses	(3,422)	-
Security deposit - net	2,000	(6,500)
Accounts payable and accrued liabilities	(9,260)	16,254
<b>Changes in Operating Activities</b>	(7,871)	9,705
<b>Total cash used in operating activities</b>	(464,054)	(194,971)
<b>Investing activities</b>		
Purchase of mining properties	(14,855)	(11,900)
<b>Total cash used in investing activities</b>	(14,855)	(11,900)
<b>Financing activities</b>		
Proceeds from issuance of shares in private placements	882,860	418,000
Share issue costs	(51,378)	(20,090)
<b>Total cash provided by financing activities</b>	831,482	397,910
Increase in cash	352,573	191,039
Cash at beginning of year	203,448	12,409
Cash at end of year	556,021	203,448
<u>Supplementary information</u>		
Shares issued for properties.	413,425	132,500

*The accompanying notes are an integral part of these consolidated financial statements*

# **SOKOMAN IRON CORP.**

## **Notes to the Audited Consolidated Financial Statements**

**June 30, 2018**

### **1. Nature of operations and going concern**

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Sokoman Iron Corp. ("Sokoman" or "Company") is a public company listed on the TSX Venture Exchange (TSXV-SIC) and operating under the laws of the Province of British Columbia. The Company is an exploration-stage company that is in the process of exploring its mineral properties located in Canada and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's registered office is 82 Richmond Street East, Toronto, Ontario M5C 1P1.

These audited consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from June 30, 2018. At June 30, 2018, the Company has an accumulated deficit of \$11,757,064 (June 30, 2017 - deficit of \$11,234,994) and has working capital of \$497,698 (June 30, 2017 - \$139,260). The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient funds and continue to obtain sufficient capital from investors to meet its current and future obligations. The Company is subject to risks and challenges similar to other exploration stage companies. As a result of these risks, a material uncertainty exists that cast's significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these Interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance its exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

### **2. Summary of significant accounting policies**

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#### Statement of compliance

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB ("International Accounting Standards Board") applicable to the preparation of audited financial statements, including International Accounting Standard ("IAS") 34 - Audited Financial Reporting. The accounting policies followed in these audited financial statements are the same as those applied in the audited annual financial statements of the Company for the year ended June 30, 2018 ("Fiscal 2018").

The policies applied in these audited consolidated financial statements are based on IFRS issued and outstanding as of October 29, 2018, the date the Audit Committee approved the statements.

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 and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds, and income taxes. Differences may be material.

The Company operates in one segment defined as the cash generating unit ("CGU") which is North America. These audited financial statements were authorized for issue by the Board of Directors on October 29, 2018.

#### Basis of presentation

The Interim consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments designated at FVTPL, which are measured at fair value. The comparative figures presented in these financial statements are in accordance with IFRS.

#### Basis of measurement

These Interim consolidated financial statements have been prepared on the historical cost basis. In addition, these Interim consolidated financial statements have been prepared using the accrual basis of accounting.

## SOKOMAN IRON CORP.

### Notes to the Audited Consolidated Financial Statements

June 30, 2018

#### 2. Summary of significant accounting policies (Continued)

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##### Basis of consolidation

The audited consolidated financial statements include the accounts of the Company and its inactive wholly-owned subsidiary Golden Dory Exploration Ltd. which has the same fiscal reporting period as Sokoman Iron Corp.

##### Foreign currency translation

The functional and presentation currency, as determined by management, of Sokoman Iron Corp. is the Canadian dollar. For the purpose of the financial statements, the results and financial position are presented in Canadian dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the Consolidated Statements of Loss and Comprehensive Loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

##### Financial instruments

All financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the 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. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- a) Financial assets and liabilities at fair value through profit or loss ("FVTPL"): A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the Consolidated Statements of Loss and Comprehensive Loss. Gains and losses arising from changes in fair value are presented in the Consolidated Statements of Loss and Comprehensive Loss within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the reporting date, which is classified as non-current.

- b) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the Consolidated Statements of Loss and Comprehensive Loss and are included in other gains and losses.
- c) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- d) Other financial liabilities: Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

## SOKOMAN IRON CORP.

### Notes to the Audited Consolidated Financial Statements

June 30, 2018

#### 2. Summary of significant accounting policies (Continued)

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The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	FVTPL
Security deposit	Loans and receivables

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Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities

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##### Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, cash held in a financial institution or investments having a maturity of ninety days or less at acquisition, that are readily convertible to the contracted amounts of cash. Cash and equivalents are classified as FVTPL and measured at fair value.

##### Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss.
- Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

##### Property and equipment

Equipment is recorded at historical cost, less accumulated amortization and accumulated impairment loss. Historical cost includes all costs directly attributable to the acquisition. Amortization is provided using the declining balance method using the following rates:

Exploration equipment	20%
Office equipment	20%
Trucks	30%

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property and equipment and any changes arising from the assessment are applied by the Company prospectively.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "other operating income and expenses" in the Consolidated Statements of Loss and Comprehensive Loss.

## **SOKOMAN IRON CORP.**

### **Notes to the Audited Consolidated Financial Statements**

**June 30, 2018**

#### **2. Summary of significant accounting policies (Continued)**

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##### Exploration and evaluation assets

Acquisition costs related to exploration properties are capitalized as exploration and evaluation assets at fair value at the time the legal right to explore the property has been acquired. The acquisition costs are written off when an exploration and evaluation asset is disposed of through sale or abandonment.

Exploration and evaluation expenditures incurred on exploration properties are expensed until such time that a future economic benefit is more likely to be realized than not by the establishment of ore resources. Exploration and evaluation expenditures incurred subsequent to the establishment of commercially viable and technically feasible gold resources on a property are capitalized as an exploration and evaluation asset. Exploration and evaluation assets are not depreciated until the properties are in commercial production.

##### Farm-out

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral property interest, as consideration, for an agreement by transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral property interest given up by the Company, with any excess cash accounted for as a gain on disposal.

##### Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company has no material provisions at June 30, 2018 or June 30, 2017.

##### Decommissioning or restoration provision

The Company records the fair value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The estimated fair value of a liability, and corresponding increase in the related property, is reported in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The Company subsequently allocates the cost to expense using a systematic and rational method over its useful life, and records the accretion of the liability as a charge to the Consolidated Statements of Loss and Comprehensive Loss.

As the Company has not commenced construction and development of any mining operations, it does not have any provisions for decommissioning or restoration costs.

##### Impairment of non-financial asset

At each reporting date of the statements of financial position, the Company reviews the carrying amounts of its indefinite tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. Definite life assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Consolidated Statements of Loss and Comprehensive Loss.

## **SOKOMAN IRON CORP.**

### **Notes to the Audited Consolidated Financial Statements**

**June 30, 2018**

#### **2. Summary of significant accounting policies (Continued)**

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Where an impairment loss subsequently reverses, the carrying amount of the asset (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.

##### Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability on the Statements of Financial Position. The subsequent renunciation of such qualifying expenditures incurred by the Company in favor of the flow-through subscribers is reported as a reduction in the 'deferred premium on flow-through shares' liability on the Statements of Financial Position and a corresponding reduction in deferred tax expense on the Consolidated Statements of Loss and Comprehensive Loss.

##### Share based compensation transactions

###### Stock options

The fair value of stock options granted to directors, officers, and employees is measured at grant date using the Black-Scholes valuation model using assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, expected forfeitures and expected life of the options. The fair value of this share-based payment is recognized as a charge to the Consolidated Statements of Loss and Comprehensive Loss with a corresponding credit to shareholders' equity on the Statements of Financial Position.

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black Scholes and assumptions at the time of vesting. The applicable fair values of any stock options which are exercised are transferred from contributed surplus to capital stock. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

###### Share-based payments to non-employees

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the Company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument, measured at the date the Company obtains the goods or the counterparty renders the service. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

##### Loss per common share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for the issuance have been met. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. In periods where the Company reports a loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted loss per share are the same.

##### Segment disclosures

The Company operates in North America in the acquisition and exploration of mineral properties.

##### Income taxes

Income taxes are calculated using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for timing differences between the tax and accounting basis of assets and liabilities, and for the recognition of accumulated capital and non-capital losses, which in the opinion of management, are more likely than not to be realized before expiry.

## **SOKOMAN IRON CORP.**

### **Notes to the Audited Consolidated Financial Statements**

**June 30, 2018**

#### **2. Summary of significant accounting policies (Continued)**

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Deferred tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period and are disclosed as non-current. The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the year in which the change is enacted or substantively enacted.

##### Revenue recognition

Rental income from property and/or equipment is allocated to income, when collection is reasonably assured, on the first date of rental and monthly thereafter until termination. Income from the option of exploration properties is recognized when received. Investment income from marketable securities is recognized when received.

##### Comprehensive income

Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a year except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net earnings.

The Company had no comprehensive income or loss transactions, other than its net loss, presented in the Consolidated Statements of Loss and Comprehensive Loss, nor has the Company accumulated other comprehensive income during the periods that have been presented.

The Company had no comprehensive income or loss transactions, other than its net loss, presented in the Consolidated Statements of Loss and Comprehensive Loss and Deficit, nor has the Company accumulated other comprehensive income during the periods that have been presented.

##### Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or is a member of the key management personnel of the reporting entity. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between said parties. Such transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

##### Significant judgments in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the Interim Financial Statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the Interim Financial Statements. Areas of significant judgment and estimates affecting the amounts recognized in the unaudited Interim condensed financial statements include:

##### a) Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the Consolidated Statements of Loss and Comprehensive Loss in the period when the new information becomes available. The carrying value of these assets is detailed in Note 6.

##### b) Valuation of share-based payments

The Company records all share based payments and warrants using the fair value method. The Company uses the Black-Scholes model to determine the fair value of stock options, warrants and broker warrants. The main factor affecting the estimates of the fair value of stock options, warrants, broker warrants and compensation options is the stock price expected volatility used. The Company currently estimates the expected volatility of its common shares based on comparable information derived from the trading history of guideline public companies which are in a similar situation to the Company taking into consideration the expected life of the options.

## SOKOMAN IRON CORP.

### Notes to the Audited Consolidated Financial Statements

June 30, 2018

#### 2. Summary of significant accounting policies (Continued)

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- c) The estimated useful lives and residual values of equipment and the measurement of depreciation expense  
Management estimates the useful lives of equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's equipment in the future.

#### Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the Consolidated Statements of Loss and Comprehensive Loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the Consolidated Statements of Loss and Comprehensive Loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

#### Government grants

The Company makes periodic applications for financial assistance under available government incentive programs and tax credits related to the mineral property expenditures. The Company recognizes government assistance on an accrual basis when all requirements to earn the assistance have been completed and receipt is reasonably assured. Government grants are recognized on the balance sheet under tax credits recoverable and accrued as a reduction of mineral exploration expenses. Government grants relating to mineral expenditures are reflected as a reduction of the cost of the property or as a reduction to exploration expenses. Government grants relating to operating expenses are reflected as a reduction of the expense.

#### Future accounting changes

The following has not yet been adopted and are being evaluated to determine its impact on the Company.

(i) IFRS 9 – Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(ii) IFRS 16 – Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

(iii) IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") was issued in May 2014 when the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS15 to establish principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

## **SOKOMAN IRON CORP.**

### **Notes to the Audited Consolidated Financial Statements**

**June 30, 2018**

#### **3. Capital and financial risk management**

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The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the year ended June 30, 2018 and, accordingly, the approach of the current year is consistent with that of the prior fiscal year.

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and manages the exploration and evaluation assets and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on equity financings to maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

##### Fair value

The carrying values for primary financial instruments, including cash, accounts receivables, and accounts payable and accrued liabilities approximate fair values due to their short-term maturities. The Company's exposure to potential loss from financial instruments relates primarily to its cash held with Canadian financial institutions.

The fair value of financial instruments that are measured subsequent to initial recognition at their fair value, is measured within a 'fair value hierarchy' which has the following levels:

- i. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities and
- ii. Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii. Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash is considered Level 1.

There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the year. The objectives and strategy for the exploration and evaluation asset portfolio remains unchanged.

The Company's exploration and development activities expose it to the following financial risks:

##### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's exposure to credit risk is concentrated in two specific areas: the credit risk on operating balances including receivables, primarily comprised of HST receivable and security deposit, and Cash held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets.

The aggregate gross credit risk exposure at June 30, 2018 was \$563,943 (June 30, 2017 - \$212,759), and was comprised of Nil (June 30, 2017 - \$2,811) in HST receivables, \$3,422 in prepaid expenses (June 30, 2017 - Nil), \$4,500 (June 30, 2017 - \$6,500) in security deposit and \$556,021 (June 30, 2017 - \$203,448) in Cash held with Canadian financial institutions with an "AA" credit rating.

##### Property risk

The Company's significant projects are the Central Newfoundland Gold Project, the Star Trek antimony/gold (Sb/Au) property, and the Iron Horse (iron ore) property, all in the province of Newfoundland & Labrador, Canada. Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon these properties. If no additional mineral resource properties are acquired by the Company, any adverse development

## SOKOMAN IRON CORP.

### Notes to the Audited Consolidated Financial Statements

June 30, 2018

#### 3. Capital and Financial Risk Management (Continued)

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affecting these properties may have a material adverse effect on the Company's financial condition and results of operations.

##### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign currency exchange rates, commodity prices, interest rates and liquidity. A discussion of the Company's primary market risk exposures, and how those exposures are currently managed, follows:

##### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has no US dollar hedging program due to its exposure to financial gain or loss as a result of foreign exchange movements against the Canadian dollar.

##### Commodity Price Risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

##### 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.

The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

##### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and working capital obligations as they become due. To manage cash flow requirements, the Company maintains principally all its assets in cash and equivalents.

##### Sensitivity Analysis

The Company believes that the +/- 10% movements in investments FVTPL that are reasonably possible over the next twelve-month period will not have a significant impact on the Company. The Company believes that its cash position and short term investments provide adequate liquidity to meet all of the Company's near-term obligations.

#### 4. Accounts receivable and Security deposit

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The Company's receivables arise from Harmonized Sales Tax ("HST") receivable due from Canadian government taxation authorities Government grants, security deposits and accounts receivable. These are broken down as follows:

	30-June-18	30-Jun-17
	\$	\$
HST receivable	-	2,811
Prepaid expenses	3,422	-
Security deposit	4,500	6,500

**SOKOMAN IRON CORP.****Notes to the Audited Consolidated Financial Statements****June 30, 2018****5. Property and equipment**

Cost	Office	Trucks	Prospecting	Total
	Equipment		Equipment	
	\$	\$	\$	\$
Balance, June 30, 2017	7,260	20,965	32,968	61,193
Additions (disposals)	-	-	-	-
<b>Balance, June 30, 2018</b>	<b>7,260</b>	<b>20,965</b>	<b>32,968</b>	<b>61,193</b>
<b>Accumulated amortization</b>				
Balance, June 30, 2017	6,286	18,481	28,482	53,249
Additions (disposals)	-	-	-	-
Amortization	196	744	896	1,836
<b>Balance, June 30, 2018</b>	<b>6,482</b>	<b>19,225</b>	<b>29,378</b>	<b>54,626</b>
<b>Net book value</b>				
Balance, June 30, 2017	974	2,484	4,486	7,944
<b>Balance, June 30, 2018</b>	<b>778</b>	<b>1,740</b>	<b>3,590</b>	<b>6,108</b>

**6. Exploration and evaluation assets**

- i. Exploration and evaluation expenditures incurred on exploration properties are capitalized until such time that a future economic benefit is more likely to be realized than not by the establishment of ore resources.

	Acquisition Costs		
	Opening	Additions	Closing
	July 1, 2017	(Disposals)	June 30, 2018
	\$	\$	\$
Burin Property	31,860	(31,859)	1
Lamalaine	4,680	(4,679)	1
Iron Horse	234,875	-	234,875
Startrek	40,000	1,000	41,000
Crippleback	15,900	15,250	31,150
East Alder	56,500	25,000	81,500
Unity Resource	50,000	32,500	82,500
Princess Lake	22,000	(22,000)	-
Clarks Brook	-	19,250	19,250
Moosehead	-	368,689	368,689
Meadows	-	1,350	1,350
	455,815	404,501	860,316

**Burin/Lamalaine**

The Burin property was acquired by staking and option agreements and consists of three projects; Lamalaine (formerly Salmonier Hill), Lawn and Little St. Lawrence. The property lies at Tidewater immediately adjacent to the towns of Lawn, St. Lawrence and Lamalaine on the southern portion of the Burin Peninsula, on Newfoundland's south coast. The Company has completed acquiring all previously optioned claims and now controls 100% interest (subject to certain NSR requirements). Management has determined at the present time it has no intention to spend further on this property as result it has been written down.

## SOKOMAN IRON CORP.

### Notes to the Audited Consolidated Financial Statements

June 30, 2018

#### 6. Exploration and evaluation assets (Continued)

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On October 12, 2010 the Company optioned a portion of its Burin uranium claim holdings (Little St. Lawrence) to Newfoundland Fluorspar Exploration Limited (Newfluorex) a privately held corporation. The Company has received a total of \$25,000 cash during the 2016 fiscal year-end and 1,000,000 Newfluorex shares which were received in prior fiscal years, representing payment in full. The Newfluorex shares have been valued at \$NIL as Newfluorex is not quoted on an active market. Discussions with potential joint venture partners is ongoing.

##### Iron Horse

The Iron Horse project is located approximately 120 kilometers Northeast of Labrador City, Labrador. A 50:50 joint venture agreement was formed with Metals Creek Resources Corp who was at that point the project operator. On May 16, 2012, Sokoman and Metals Creek announced a new agreement announcing that Sokoman would be increasing its interest in the joint venture to a maximum of 70% by meeting the following criteria; an additional 10% (aggregate 60%) by issuing on signing of the agreement a total of 1.5 million common shares (issued) of Sokoman to Metals Creek and by assuming responsibility for all expenditures related to the 2012 exploration program with a minimum exploration expenditure of \$500,000 (\$330,791 in expenditures, as at June 30, 2017); an additional 10% (aggregate of 70%) by issuing an additional 2.5 million common shares (issued) of Sokoman within 18 months of the new agreement and producing a NI 43-101 compliant resource of at least 50 million tonnes by the fourth anniversary of the new agreement. The Company has amended the agreement whereby Sokoman can earn a 100% interest in Iron Horse by issuing 15 million additional shares (issued) to Metals Creek and by paying a lump sum of \$1 million upon delivery of a feasibility study. Metals Creek retains a 1.9% NSR on the Iron Horse Property. The amended agreement was subsequently approved by the TSX Venture and the amended agreement supersedes all earlier agreements. Through a 2012 financing arrangement with Callinan Royalties, (now Altius Minerals Corp through a friendly takeover of Callinan by Altius), Sokoman is required to maintain the property in good standing through December 31, 2020 with no financial commitments required. As part of the financing arrangement, Callinan (now Altius) holds a 1% NSR on the Iron Horse Property.

##### Startrek

The Company acquired 100% interest in two antimony/gold properties in northeastern Newfoundland, the Startrek and Antimony Ridge properties. The Company has issued two million common shares of Sokoman Iron Corp. The property is subject to a 2% net smelter returns royalty to the vendors. This acquisition agreement is with parties related to a Director. The Antimony Ridge property has since been dropped leaving only the Startrek property.

##### Central Newfoundland Gold Project

During the 2017 fiscal year-end, the Company acquired, through a combination of staking and option, the central Newfoundland Gold Project which consists of three separate properties: 1. Crippleback Lake; 2. Princess Lake; and, 3. East Alder properties in central Newfoundland.

Crippleback Lake - acquired during the 2017 fiscal year. To obtain a 100% interest, the Company is committed to the following payments: total cash of \$34,500 (\$10,450 – *paid*, as at December 31, 2017) and, share payments totaling 600,000 (300,000 shares – *issued*, as at December 31, 2017) over a three-year option agreement. The vendors will retain a 2% NSR with a buyback of 1% for \$1 million, as well as, a 1% NSR on Sokoman's contiguous claims with a \$500,000 cash buyback of 0.5%. The vendors will also receive 10% of the value of any third party transaction Sokoman completes on the property, as well as first consideration for any eligible field work.

East Alder - acquired during the 2017 fiscal year. This property consists of two licenses and two separate agreements with,

##### a) **Benton Resources Inc.;**

Acquired during the 2017 fiscal year. To obtain a 100% interest in this property, the Company is committed to the following payments:

- 1) 1 million common shares, due on signing of the agreement – *issued*, as at June 30, 2017;
- 2) \$1,500 in cash, due on signing of the agreement – \$1,500 *paid*, as at June 30, 2017;
- 3) 500,000 common shares, due on first anniversary of agreement date - *issued*;
- 4) 500,000 common shares, due on second anniversary of agreement date;

## SOKOMAN IRON CORP.

### Notes to the Audited Consolidated Financial Statements

June 30, 2018

#### 6. Exploration and evaluation assets (Continued)

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Sokoman is also committed to \$600,000 in payments, contingent on its reaching the following milestones:

- 1) \$100,000 payment in cash/shares/or mix, upon completion of a NI 43-101 compliant resource;
- 2) \$200,000 payment in cash/shares/or mix upon completion of a pre-feasibility;
- 3) \$300,000 cash payment upon completion of a final/full/bankable feasibility;

Benton Resources Inc. also retains a 2% NSR of which 1% can be purchased for \$1 million.

b) **Unity Resources** – a private consortium;

The Unity Resources block was acquired during the 2017 fiscal year. To obtain a 100% interest in this property, the Company is committed to the following payments:

- 1) 750,000 common shares, due on signing of the agreement – *issued*, as at June 30, 2017;
- 2) \$5,000 in cash, due on signing of the agreement – \$1,500 *paid*, as at June 30, 2017;
- 3) 650,000 common shares, due on first anniversary of agreement date - *issued*;

Sokoman is also committed to \$600,000 in payments, contingent on its reaching the following milestones:

- 4) \$100,000 payment in cash/shares/or mix, upon completion of a NI 43-101 compliant resource;
- 5) \$200,000 payment in cash/shares/or mix upon completion of a pre-feasibility;
- 6) \$300,000 cash payment upon completion of a final/full/bankable feasibility;
- 7) The vendors retain a 2% NSR of which half (1%) can be purchased for \$1 million cash.

**Princess Lake** - acquired during the 2017 fiscal year. To obtain a 100% interest, the Company is committed to total share payments of 1.2 million shares, payable in three tranches of 400,000, as follows: on signing (400,000 shares – *issued*, as at June 30, 2017) and, 400,000 on each of the first – *issued* and second anniversary dates of the agreement. The vendors retain a 2% NSR with a buyback of 1% for \$1 million. The property has been returned to the vendors.

**Clarks Brook** - acquired during the 2018 fiscal year. This property consists of two licenses and two separate agreements with, to earn an initial 75% interest, Sokoman must make cash payments of \$45,000 over three years (no cash on signing) and issue a total of 3,000,000 Sokoman common shares over three years (500,000 shares issued) and incur work expenditures of \$800,000 over three years (\$100,000 by 1st anniversary). Sokoman will be the operator during the earn-in period. Once a 75% interest is earned by Sokoman, either a 75/25 joint venture will be formed, or Sokoman may elect to earn an additional 25% interest to bring its total property interest to 100%. The terms to increase its interest from 75% to 100% include payments of \$100,000 and the issuance of an additional 2,000,000 Sokoman shares within 60 days of the 3rd anniversary date.

**Moosehead** - acquired 100% of the property during the 2018 fiscal year. The Company issued 7,754,371 common shares and issued 1,428,571 share purchase warrants. The purchase warrants have a strike price of \$0.05 per share and expire in three years, March 17, 2021. The property is subject to a 0.5% NSR royalty. The Company must incur \$500,000 in exploration expenditures on the property within twelve (12) months.

**Meadows** – acquired a 100% interest in two Licences via staking in late 2017. The Licences were issued in January 2018. Total acquisition costs include \$4,500 in refundable security.

**SOKOMAN IRON CORP.****Notes to the Audited Consolidated Financial Statements****June 30, 2018****7. Mineral exploration expenses**

A summary of exploration expenditures incurred for the period ended June 30, 2018 is as follows:

						July 2017 to June 2018	July 2016 to June 2017
	Central Newfoundland Gold Project	Clarks Brook	Meadows	Moosehead	Iron Horse and Other	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Field Office Expenses	57,906	61,543	6,430	22,800	4,590	153,269	46,966
Geo Services	1,240	8,442	-	16,070	-	25,752	8,071
Drilling	-	48,958	-	-	-	48,958	24,000
Assays	55,941	12,249	2,978	2,001	1,748	74,917	23,115
Wages & Salaries	40,930	30,256	900	27,655	-	99,741	37,898
Amortization	410	820	-	410	-	1,640	2,188
Government grant	-	(65,433)	-	-	-	(65,433)	(13,291)
	156,427	96,835	10,308	68,936	6,338	338,844	128,947

**8. Accounts payable, accrued liabilities and deferred premium flow through**

Accounts payables are made up of ordinary trade payables owing to various vendors and, payroll withholding tax payable. Accrued liabilities are made up of accruals for legal and accounting fees. Details of respective balances as at June 30, 2018, are as follows:

	June 30, 2018	June 30, 2017
	\$	\$
Trade payables	18,297	16,905
Accrued Liabilities	41,839	54,154
Payroll taxes	4,103	2,440
Deferred premium Flow through	2,006	-
<b>Total</b>	<b>66,245</b>	<b>73,499</b>

**SOKOMAN IRON CORP.**  
**Notes to the Audited Consolidated Financial Statements**  
**June 30, 2018**

**9. Equity capital and reserve**

**(a) Share capital**

The authorized capital of the Company consists of an unlimited number of common shares, and an unlimited number of preferred shares issued in series.

	<u>Number of Shares</u>	<u>Amount</u>
<b>Balance, June 30, 2017</b>	31,710,438	\$7,692,471
Shares issued to acquire properties	500,000	17,500
Shares issued to acquire properties	150,000	6,000
Private Placement – December 2017	16,701,000	882,860
Share issue costs	-	(51,378)
Private placement warrants – Black Scholes	-	(331,276)
Private placement broker warrants – Black Scholes	-	(47,362)
Shares issued to acquire properties	1,550,000	79,750
Moosehead property acquisition	7,754,371	310,175
Deferred premium on flow through shares	-	(16,493)
<b>Balance, June 30, 2018</b>	<b>58,365,809</b>	<b>\$8,542,247</b>

**(b) Share purchase warrants**

Details of share purchase warrant transactions for the period ended June 30, 2018 is as follows:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>
		\$
<b>Balance, June 30, 2017</b>	11,740,800	0.05
Warrants issued – private placement – December 2017 - NFT	11,920,000	0.07
Warrants issued – private placement – December 2017 - FT	2,390,500	0.09
Broker warrants issued - NFT	540,000	0.05
Broker warrants issued - FT	304,200	0.06
Warrant issued - Moosehead property acquisition	1,428,571	0.05
<b>Balance, June 30, 2018</b>	<b>28,324,071</b>	<b>0.06</b>

**SOKOMAN IRON CORP.****Notes to the Audited Consolidated Financial Statements****June 30, 2018****9. Equity capital and reserve (Continued)**

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Details of the warrants outstanding at June 30, 2018 are as follows:

<b>Number of warrants</b>	<b>Fair value at grant date</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	\$	\$	
150,000	2,544	0.09	01-Dec-19
60,000	10,294	0.06	01-Dec-19
1,458,000	101,647	0.09	01-Dec-19
218,700	37,420	0.06	01-Dec-19
782,500	12,111	0.09	12-Dec-19
25,500	4,363	0.06	12-Dec-19
11,720,000	198,789	0.07	01-Dec-20
540,000	8,370	0.05	01-Dec-20
200,000	3,100	0.07	12-Dec-20
1,428,571	54,759	0.05	17-Mar-21
5,000,000	78,000	0.05	21-Jul-21
600,000	28,000	0.05	20-Dec-21
300,000	13,500	0.08	30-Dec-21
400,000	17,500	0.08	01-Feb-22
5,060,000	222,000	0.05	01-Feb-22
380,800	16,700	0.05	01-Feb-22
28,324,071	809,097	0.06	

**SOKOMAN IRON CORP.****Notes to the Audited Consolidated Financial Statements****June 30, 2018****9. Equity capital and reserve (Continued)****(c) Stock options**

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX Venture (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding Common Shares exercisable for a period of up to five (5) years.

	Stock Options	Weighted Average Exercise Price
		\$
<b>Balance, June 30, 2017</b>	2,300,000	0.08
Stock options granted	-	-
<b>Balance, June 30, 2018</b>	2,300,000	0.08

**(d) Black-Scholes Valuation**

The fair values of the warrants and options were estimated on the issuance date using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2018	2017
Expected dividend yield	Nil	Nil
Risk-free interest rate	1.49 % - 1.78%	1.10% - 1.31%
Expected life	3 to 5 years	18 months - 5 years
Expected volatility	209% - 254%	106% - 252%

**(e) Contributed Surplus**

<b>Balance, June 30, 2017</b>	\$3,769,842
<b>Balance, June 30, 2018</b>	\$3,769,842

**10. Related party transactions**

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company paid or accrued the following amounts to related parties during the period ended June 30, 2018 and 2017:

Transactions		Outstanding Balances		Description of Relationship to Company	Nature of Transaction
30-June-18	30-June-17	30-June-18	30-Jun-17		
\$	\$	\$	\$		
73,350	39,129	-	-	An officer	Salaries and wages
4,500	-	4,500	33,431	Company controlled by corporate secretary	Legal Fees
44,500	25,500	-	-	Company controlled by an officer	Accounting fees
122,350	64,629	4,500	33,431		

**SOKOMAN IRON CORP.**  
**Notes to the Audited Consolidated Financial Statements**  
**June 30, 2018**

**11. Income taxes**

(a) **Provision for Income Taxes** - the provision for income taxes is different from the amount that would have been computed by applying statutory Canadian federal and provincial rates due to the following:

	<b>2018</b>	<b>Restated 2017</b>
Statutory rate	<b>26.5%</b>	26.5%
	<b>\$</b>	<b>\$</b>
Loss before income taxes	<b>(522,070)</b>	(367,309)
Income tax recovery at combined federal and provincial tax rate	<b>(138,349)</b>	(97,337)
Tax effect of mineral exploration expenses	<b>89,794</b>	34,171
Tax effect of difference between amortization & CCA	<b>(241)</b>	(314)
Tax effect of stock based compensation	-	46,459
Tax effect of deductible share issue costs	<b>(2,938)</b>	(5,966)
Deferred tax recovery (A)	<b>14,487</b>	-
	<b>(37,247)</b>	(22,987)
Taxable benefit of loss carry forward not recognized	<b>51,734</b>	22,987
Current income tax expense	<b>\$ 14,487</b>	<b>\$ -</b>

(A) The \$14,487 (2017 - \$NIL) of deferred income tax recovery above pertains to the deferred premium on flow through shares

(b) **Deferred Income Tax Assets/Liabilities** - Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes as opposed for income tax purposes. The tax effect of these temporary differences that would give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30, 2018 and June 30, 2017 were as follows:

	<b>30-Jun-18</b>	<b>30-Jun-17</b>
	<b>26.5%</b>	26.5%
Non-capital losses	<b>2,414,305</b>	2,307,885
Mineral property expenditures	<b>(86,333)</b>	(68,934)
Share issue costs	<b>11,059</b>	5,688
Property and equipment	<b>1,559</b>	1,073
	<b>2,340,590</b>	2,245,712
Valuation allowance	<b>(2,340,590)</b>	(2,245,712)
Deferred income tax asset	-	-
Deferred income tax liability (B)	<b>2,006</b>	-
Net deferred tax liability	<b>\$ 2,006</b>	<b>\$ --</b>

(B) The deferred income tax liability consists of unrenounced flow through premium.

The potential deferred tax benefit of the non-capital losses has not been recognized in the financial statements except to the extent of exploration expenditures renounced to holders of flow-through shares as prescribed.

**SOKOMAN IRON CORP.**  
**Notes to the Audited Consolidated Financial Statements**  
**June 30, 2018**

**11. Income taxes (Continued)**

(c) **Non-Capital Losses** - Utilization of the non-capital losses and the foreign exploration and development expenditures are subject to limitations. The Company has placed a full valuation allowance on its excess tax assets due to a lack of past taxable profits. It does not believe significant income tax obligations will occur in the near-future. As at June 30, 2018, the Company has \$9,135,000 (June 30, 2017 - \$8,709,000) in unused tax losses available for tax carry-forward purposes as follows:

Expiring	2027	\$39,000
	2028	204,000
	2029	990,000
	2030	603,000
	2031	1,146,000
	2032	2,250,000
	2033	2,100,000
	2034	620,000
	2035	130,000
	2036	335,000
	2037	292,000
	2038	426,000
		<b>\$9,135,000</b>

**12. Restated Comparative Numbers**

In the June 30, 2017 consolidated financial statements the company in error omitted 2,300,000 stock options that were granted to officers and directors in March 2017. The company records all share-based compensation using the fair value method and uses the Black-Scholes option pricing model to determine the fair value of share-based compensation.

This estimate also requires determining the most appropriate inputs to the valuation model. The main factor affecting the estimates of the fair value of stock options is the stock price, expected volatility used in the duration of the instrument and the risk-free interest rate and the expected life of the instrument.

The following assumptions were used:

Risk free interest rate – 1.31%  
 Expected life - 5 years  
 Expected volatility - 252%

The Black-Scholes value amounted to \$160,202

The following table summarizes the impact of the restatement adjustments on the Company's previously reported consolidated Financial Position as at June 30, 2017:

	As Previously Reported	Correction	As Restated
	\$	\$	\$
Shareholders' Equity			
Contributed Surplus	3,609,640	160,202	3,769,842
Deficit	(11,074,792)	(160,202)	(11,234,994)

## SOKOMAN IRON CORP.

### Notes to the Audited Consolidated Financial Statements

June 30, 2018

#### 12. Restated Comparative Numbers (Continued)

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The following table summarizes the impact of the restatement adjustment on the Company's previously reported Consolidated Statements of Loss and Comprehensive Loss for the year ended June 30, 2017:

	\$	\$	\$
Loss and Comprehensive Loss	(207,107)	(160,202)	(367,309)
Deficit, end of year	(11,074,792)	(160,202)	(11,234,994)

The following table summarizes the impact of the restatement adjustments on the Company's previously reported Consolidated Statements of Cash Flows for the year ended June 30, 2017:

	\$	\$	\$
Net Loss for the year	(207,107)	(160,202)	(367,309)
Total non-cash expenses	2,431	160,202	162,633

#### 13. Subsequent events

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**On August 15, 2018** Sokoman announced that the TSX Venture Exchange accepted for filing documents to close the previously announced non-brokered private placement (the "Placement") for total proceeds of \$3,001,500 consisting of 20,010,000 units at a price of \$0.15 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of 25 cents per share for a period of two years from closing. All securities issued pursuant to the Placement are subject to a 4-month hold period. There are no finders' fees associated with the transaction.

**On September 10, 2018** Sokoman announced that the Company has raised \$827,000 by the exercise of 13.1 million warrants at exercise prices between 0.05 to \$0.09 per warrant.

**On September 13, 2018** the Company announced that, in accordance with its stock option plan and subject to regulatory approval, it has granted 3,950,000 incentive stock options, exercisable at \$0.16 for a period of 5 years to directors, officers, employees and consultants of the Company.