



**LOMIKO METALS INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Unaudited – Expressed in Canadian Dollars)**

First Quarter Ended October 31, 2017

**LOMIKO METALS INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION***Unaudited-expressed in Canadian dollars*

	As at October 31, 2017	As at July 31, 2017
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 4)	\$ 36,195	\$ 98,305
Other receivables	37,247	8,493
Due from associate	9,004	9,004
Prepaid expenses	238,320	23,141
	<u>320,766</u>	<u>138,943</u>
<b>Non-current</b>		
Investment in associates ( Note 5)	1,124,476	1,094,476
Investment in equity securities (Note 7)	-	140,667
Exploration and evaluation advances	292,757	243,072
Exploration and evaluation assets (Note 6)	5,228,156	5,229,356
	<u>6,645,389</u>	<u>6,707,571</u>
	\$ 6,966,155	\$ 6,846,514
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 236,463	\$ 213,334
Income taxes payable	24,200	15,700
Demand loan (Note 7)	-	137,335
	<u>260,663</u>	<u>366,369</u>
<b>Other</b>		
Flow through premium liabilities (Note 8)	69,213	57,693
Deferred tax liability	10,107	10,107
	<u>79,320</u>	<u>67,800</u>
<b>EQUITY</b>		
Share capital (Note 9)	25,411,571	24,885,169
Share subscriptions received	-	157,920
Warrants (Note 9)	95,435	57,987
Share based payment reserve (Note 9)	362,207	362,207
Accumulated other comprehensive income	(10,107)	28,767
Deficit	(19,232,934)	(19,079,705)
	<u>6,626,172</u>	<u>6,412,345</u>
	\$ 6,966,155	\$ 6,846,514

Nature of Operations (Note 1)  
 Commitments and contingencies (Note 13)  
 Events after reporting period (Note 14)  
 Approved on behalf of the Board:

"Paul Gill"

Paul Gill - President and Chief Executive Officer

"Jacqueline Michael"

Jacqueline Michael - Chief Financial Officer

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

**LOMIKO METALS INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three month period ending October 31,

*Unaudited - Expressed in Canadian dollars*

	2017	2016
<b>Expenses</b>		
Advertising and promotion	65,503	117,928
Consulting fees	-	900
Management fees (Note 14)	45,000	45,000
Office and miscellaneous	5,596	7,044
Professional fees	48,254	58,670
Regulatory and filing fees	8,859	5,647
Shareholder communications	2,532	8,283
Travel	4,608	8,996
Loss from operations	(180,352)	(252,468)
<b>Other income/(loss) from continuing operations</b>		
Interest income	4	4
T100A penalty	(1,300)	-
Write down of mineral property acquisition cost	(1,200)	-
Foreign exchange gain	2,222	-
Financing costs	-	(366)
Share of associate loss	-	(10)
Gain on sale of marketable securities	35,897	60,004
	35,623	59,632
Loss from continuing operations, before income tax		(192,836)
Income tax expense	(8,500)	(14,000)
Net loss from continuing operations	(153,229)	(206,836)
<b>Other</b>		
Unrealized gain/(loss) on re-measurement of equity investments	-	(125,673)
<b>Comprehensive (loss) for the period</b>	(153,229)	(332,509)
Basic and Diluted Loss Per Share	(0.01)	(0.02)
Basic and Diluted Weighted Average Common Shares	24,356,429	18,667,391

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

**LOMIKO METALS INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

For the three month period ended October 31,

*Unaudited – Expressed in Canadian dollars*

	2017	2016
<b>Cash flows from (used in) operating activities</b>		
Comprehensive (loss)	\$ (153,229)	\$ (206,836)
Items not involving cash and cash equivalents:		
Equity investment share of loss	-	10
Foreign exchange gain	(2,222)	-
Gain on sale of equity securities	(35,897)	(60,004)
Loan interest paid through transfer of securities	2,577	-
Write down of resource property acquisition	1,200	-
	(187,571)	(266,830)
Changes in non-cash working capital items:		
Other receivables	(28,754)	(2,405)
Prepaid expenses	(215,179)	(31,493)
Accounts payable and accrued liabilities	23,129	8,327
Income tax payable	8,500	14,000
	(399,875)	(278,401)
<b>Cash flows from (used in) financing activities</b>		
Issuance of flow through shares for cash	49,920	13,170
Issuance of shares for cash	376,080	127,780
Share issue cost	(8,550)	(4,763)
	417,450	136,187
<b>Cash flows from (used in) investing activities</b>		
Proceeds from sale of marketable securities	-	98,176
Exploration and evaluation advances	(49,685)	-
License	-	(2,017)
Website	-	(5,568)
Investment in Smart Home Devices	(30,000)	-
	(79,685)	90,591
<b>(Decrease) in cash</b>	<b>(62,110)</b>	<b>(51,623)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>98,305</b>	<b>326,031</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 36,195</b>	<b>\$ 274,408</b>
<b>Supplemental information:</b>		
Flow through premium liability	\$ 11,519	\$ 2,634
Demand loan paid by transfer of equity securities	\$ 137,335	\$ -

*The accompanying notes form an integral part of these condensed consolidated interim financial statements*

# LOMIKO METALS INC.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

Unaudited – Expressed in Canadian dollars

	Common Shares Without Par Value		Share subscriptions received	Warrants Reserve	Share based Payment Reserve	Accumulated Other Comprehensive Income	Deficit	Total Equity
	Shares	Amount						
<b>Balance, July 31, 2016</b>	<b>181,593,010</b>	<b>\$ 23,965,723</b>	<b>\$ 64,920</b>	<b>\$ 442,019</b>	<b>\$ 378,713</b>	<b>\$ 318,384</b>	<b>\$ (18,513,083)</b>	<b>\$ 6,656,676</b>
Prior period adjustment (Note 15)				-	-	-	(45,637)	(45,637)
<b>Restated, Balance July 31, 2016</b>	<b>181,593,010</b>	<b>\$ 23,965,723</b>	<b>\$ 64,920</b>	<b>\$ 442,019</b>	<b>\$ 378,713</b>	<b>\$ 318,384</b>	<b>\$ (18,558,720)</b>	<b>\$ 6,611,039</b>
<b>Pre-reverse stock split</b>								
Issuance of shares for cash	4,817,500	192,700	(51,750)	-	-	-	-	140,950
Issuance of flow through shares for cash	263,400	10,536	(10,536)	-	-	-	-	-
Share issue costs	-	(4,763)	-	-	-	-	-	(4,753)
Fair value assigned to warrants	-	(7,044)	-	7,044	-	-	-	-
Warrants expired	-	-	-	(273,106)	-	-	273,106	-
Options expired	-	-	-	-	(16,506)	-	16,506	-
Unrealized (loss) on re-measurement of equity securities	-	-	-	-	-	(125,673)	-	(125,673)
Net loss for the period	-	-	-	-	-	-	(206,836)	(208,836)
<b>Restated, Balance October 31, 2016</b>	<b>186,673,910</b>	<b>\$ 24,157,152</b>	<b>-</b>	<b>\$ 175,957</b>	<b>\$ 362,207</b>	<b>\$ 192,711</b>	<b>\$ (18,475,944)</b>	<b>\$ 6,412,083</b>
Effect of 10:1 share consolidation (note 9)	(168,006,519)							
	18,667,391							
<b>Post-reverse stock split</b>								
Issuance of shares in settlement of sale of license	600,000	165,000	-	-	-	-	-	165,000
Issuance of shares for resource property	450,000	166,000	-	-	-	-	-	166,000
Issuance of common shares as finder's fee	38,462	10,000	-	-	-	-	-	10,000
Issuance of shares for cash	1,492,538	298,508	-	-	-	-	-	298,508
Issuance of flow through shares for cash	961,538	187,039	-	-	-	-	-	187,039
Fair value assigned to finders warrants	-	(1,914)	-	1,914	-	-	-	-
Share issue costs	-	(67,363)	-	-	-	-	-	(67,363)
Fair value assigned to warrants	-	(29,253)	-	29,253	-	-	-	-
Warrants expired	-	-	-	(149,137)	-	-	149,137	-
Options expired	-	-	-	-	-	-	-	-
Share subscriptions received	-	-	157,920	-	-	-	-	157,920
Unrealized (loss) on re-measurement of equity securities	-	-	-	-	-	(163,944)	-	(163,944)
Net loss for the period	-	-	-	-	-	-	(752,898)	(752,898)
<b>Balance, July 31, 2017</b>	<b>22,209,929</b>	<b>\$ 24,885,169</b>	<b>\$ 157,920</b>	<b>\$ 57,987</b>	<b>\$ 362,207</b>	<b>\$ 28,767</b>	<b>\$ (19,079,705)</b>	<b>\$ 6,412,345</b>
Issuance of shares for cash	2,670,000	534,000	-	-	-	-	-	534,000
Issuance of flow through shares for cash	192,000	38,400	-	-	-	-	-	38,400
Share subscriptions utilized	-	-	(157,920)	-	-	-	-	(157,920)
Share issue costs	-	(8,550)	-	-	-	-	-	(8,550)
Fair value assigned to warrants	-	(37,448)	-	37,448	-	-	-	-
Net loss for the period	-	-	-	-	-	(38,874)	(153,229)	(192,103)
<b>Balance, October 31, 2017</b>	<b>25,071,929</b>	<b>\$ 25,411,571</b>	<b>-</b>	<b>\$ 95,435</b>	<b>\$ 362,207</b>	<b>\$ (10,107)</b>	<b>\$ (19,232,934)</b>	<b>\$ 6,626,172</b>

The accompanying notes form an integral part of these condensed interim consolidated financial statements

# **LOMIKO METALS INC.**

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended October 31, 2017

*Unaudited – Expressed in Canadian dollars*

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

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#### **Nature of operations**

Lomiko Metals Inc., (along with its subsidiaries collectively referred to as the “Company”), is engaged in the acquisition, exploration and development of resource. The Company is considered to be in the exploration and evaluation stage. The Company was incorporated on July 3, 1987, under the British Columbia Company Act. The Company is listed on the TSX-Venture Exchange having the symbol LMR.V as a Tier 2 mining issuer and on the Over the Counter Exchange in the United States having the symbol LMRMF.

The Company’s registered office is unit 439-7184 120<sup>th</sup> Street, Surrey, British Columbia, Canada.

#### **Going Concern**

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred cumulative losses of \$19,232,934 and has reported a net loss from operations of \$153,229 for the period ended October 31, 2017. The ability of the Company to continue as a going concern is dependent upon successfully obtaining of additional financing entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Company’s assets, the outright sale of the Company, the successful development of the Company’s mineral property interests, or a combination thereof. There can be no assurance that funding from this will be sufficient in the future to continue and develop its mineral properties. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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### **2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

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#### **(a) Statement of Compliance**

These condensed consolidated interim financial statements of the Company, have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the fiscal year ended July 31, 2017. These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 28, 2017.

#### **(b) Basis of Presentation and Consolidation**

These consolidated financial statements of the Company incorporate the financial statements of the Company and its wholly owned subsidiaries, The Conac Company Inc., Conac Software (USA) Inc., Lomiko Metals LLC and Lomiko Technologies Inc. from the day the Company gains control over the subsidiaries and ceases when the Company loses control of the subsidiaries. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect the investee’s returns.

## LOMIKO METALS INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended October 31, 2017

Unaudited – Expressed in Canadian dollars

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#### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE - continued

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The Company reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three above mentioned elements.

All significant intercompany transactions, balances, income and expenses are eliminated on consolidation.

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#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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These condensed consolidated interim financial statements have been prepared on the historical cost basis. In addition these condensed interim financial statements have been prepared using the accrual basis of accounting, except for the cash flow information. The comparative figures presented in these condensed interim consolidated financial statements are in accordance with IFRS and have not been audited.

These condensed interim consolidated financial statements do not include all of the notes required for full annual financial statements.

The significant accounting policies for the periods are consistent with those disclosed in the audited annual financial statements of the Company for the year ended July 31, 2017. The accompanying financial statements should be read in conjunction with the Company audited annual financial statements.

##### (c) New Accounting pronouncements

The following new standards, and amendments to standards and interpretations, are not yet effective for the three months ended October 31, 2017, and have not been applied in preparing these financial statements.

IFRS 9 - Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as well as de-recognition of financial instruments. IFRS 9 will replace IAS 39. The effective date is January 1, 2018. The Company is assessing the impact of this new standard, if any, on the financial statements.

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#### 4. CASH AND CASH EQUIVALENTS

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Cash and cash equivalents on the statement of financial position comprise cash at bank, held in trust, on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

	October 31, 2017	July 31, 2017
Cash and bank balances	\$ 33,195	\$ 95,305
Cash equivalents	<u>3,000</u>	<u>3,000</u>
	<u>\$ 36,195</u>	<u>\$ 98,305</u>

## LOMIKO METALS INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended October 31, 2017

Unaudited – Expressed in Canadian dollars

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#### 5. INVESTMENT IN ASSOCIATES

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##### Graphene ESD Corp.

On December 12, 2014 the Company purchased 1,800 shares of Graphene ESD Corporation's ("Graphene") Series A Preferred Stock, representing 100% of the authorized preferred shares of Graphene, at a purchase price of \$101.27 US per share ("Original Issue Price") for total consideration of \$182,281 US. Dividends, at the rate per annum of \$4.05 per share, will accrue on each preferred share and shall be cumulative. Payment of dividends is at the discretion of the board. Each share of Series A Preferred Stock held by the Company shall be convertible, at the option of the Company and without the payment of additional consideration by the Company.

Graphene ESD Corp. a Delaware company incorporated November 5, 2014 is a private US company that was formed to commercialize Graphene Supercapacitors. On matters presented to the stockholders of Graphene, the Company will vote together with the holders of Common Stock of Graphene as a single class.

The Company exercises significant influence over Graphene ESD Corp. as it owns 40% of the voting shares. It accounts for its investment on the equity basis.

	<u>Number of shares held</u>	
Acquisition of preferred shares	1,800	\$ 213,251
Costs related to acquisition		10,824
Share of equity loss		<u>(34,182)</u>
July 31, 2016	1,800	\$ 189,893
Share of equity loss		( 485)
Write down		<u>(130,905)</u>
July 31, 2017 and October 31, 2017	1,800	<u>\$ 58,503</u>

##### Smart Home Devices Ltd. (SHD)

On March 15, 2016 the Company issued (before 1:10 share consolidation) 16,129,743 common shares, at \$0.035 per share for a deemed value of \$564,541, in exchange for 778,890 common shares of Smart Home Devices Ltd.

During March to May 2017 the Company acquired an additional 867,546 common shares, for a deemed value of \$0.72 per share, in exchange for the rights, patents, and website pertaining to the License owned by the Company that was acquired from Megahertz, a company associated with SHD

On August 22, 2017, the company acquired an additional 41,667 common shares for \$30,000.

The Company owns 24.38% (July 31, 2017 – 23.92%) of the total equity of SHD.

**LOMIKO METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended October 31, 2017

*Unaudited – Expressed in Canadian dollars***5. INVESTMENT IN ASSOCIATES - continued**

	<u>Number of shares held</u>	
July 31, 2016	778,890	\$ 564,541
Sale of license for shares during 2017	867,546	624,633
Share of equity loss	_____	( 153,201)
July 31, 2017	<u>1,646,436</u>	<u>\$ 1,035,973</u>
Acquisition of common shares	41,667	30,000
October 31, 2017	<u>1,688,083</u>	<u>\$ 1,065,973</u>

Due to limited information, the company's share of the equity loss is not available.

**Summary of investment in associates:**

	October 31, 2017	July 31, 2017
Graphene ESD Corp	\$ 58,503	\$ 58,503
Smart Home Devices Ltd.	<u>1,065,973</u>	<u>1,035,973</u>
	<u>\$ 1,124,476</u>	<u>\$ 1,094,476</u>

**6. EXPLORATION AND EVALUATION ASSETS**

The following table shows the exploration and evaluation assets:

	Vines Lake	Quatre- Milles	Quatre- Milles West	La Loutre Crystaline	Lac-des-Iles	Bourier	Total
Balance, July 31, 2016	\$ 598,125	\$ 721,077	\$ 228,540	\$ 2,408,318	\$ 819,103	135,000	\$ 4,910,163
Exploration costs	-	-	-	278,126	-	-	278,126
Acquisition of property	-	-	-	83,000	83,000	-	301,000
Claim renew	6,243	3,824	-	-	-	-	10,067
Write off of exploration costs	-	-	-	-	-	(135,000)	(135,000)
Balance, July 31, 2017	\$ 604,368	\$ 724,901	\$ 228,540	\$ 2,769,444	\$ 902,103	\$ -	\$ 5,229,356
Write off of acquisition costs	(1,200)	-	-	-	-	-	(1,200)
Balance, October 31, 2017	\$ 603,168	\$ 724,901	\$ 228,540	\$ 2,769,444	\$ 902,103	-	\$ 5,228,156

## LOMIKO METALS INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended October 31, 2017

Unaudited – Expressed in Canadian dollars

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#### 6. EXPLORATION AND EVALUATION ASSETS - continued

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##### **Vines Lake Property - Liard Mining District, BC**

In March 2006, the Company acquired 100% interest in 3 claims comprising approximately 1,169 hectares ("Ha") in Liard Mining District of British Columbia, subject to a 2% net smelter return ("NSR") in favor of Mr. Amrit P.S. Gill, a director of the Company.

##### **Quatre-Milles – Quebec**

The Company owns a 100% interest in the Quatre-Milles property located north of Sainte-Veronique, Quebec. The property is subject to a 2% net smelter royalty ("NSR") of which one half or (1% "NSR") can be repurchased by the Company for \$1,000,000.

##### **Quatre-Milles West – Quebec**

On May 25, 2014, the Company acquired a 100% interest in the Quatre-Milles West located in southern Quebec. The property is subject to a 2% net smelter royalty ("NSR") of which one half or (1% "NSR") can be repurchased by the Company for \$1,000,000.

The terms of the purchase were as follows:

- Pay \$3,000 in cash (paid)
- Issue (before 10:1 consolidation) 1,800,000 shares at \$0.10 per share (issued)

##### **La Loutre Crystalline and Lac-des-Iles – Quebec**

On September 22, 2014 the Company obtained an option with Canada Strategic Metals Inc. ("CSM"), to purchase a 40% interest in the La Loutre Crystalline Flake Graphite Property located in Southern Quebec by paying \$12,500, funding \$500,000 in exploration expenditures and issuing (before 1:10 share consolidation) 1,250,000 shares at a deemed price of \$.07 per share.

On February 6, 2015 (amended December 30, 2016), the Company signed an agreement with CSM to acquire an additional 40% interest in the La Loutre property, located in Southern Quebec, and an 80% interest in the Lac-Des-Iles property. The Company paid \$10,000 upon signing, issued (before 10:1 consolidation) 3,000,000 shares at \$0.07 per share, and agreed to fund \$2,750,000 as follows:

- \$1,500,000 on the La Loutre property (paid)
  - \$1,000,000 no later than December 31, 2018, on other mining rights of CSM (\$968,000 paid)
  - \$250,000 on the Lac Des Iles property (paid)
- Canada Strategic remains the operator at both properties until the terms are fully met.

Included in the Exploration Expenditures, will be a management fee payable to Canada Strategic Metals Inc. (the "Operator") equal to 5% of expenditures incurred.

The La Loutre property is subject to a 1.5% net smelter royalty ("NSR") of which 0.5% "NSR" can be purchased by the Company for \$500,000.

On May 13, 2016 (amended December 30, 2016) the Company signed an additional option on the La Loutre and Lac des Iles properties allowing the Company to increase its interest in the property from 80% to 100%. The terms of the acquisition are as follows:

- Issuance of 950,000 common shares (post consolidation) – 450,000 of which had been issued as of July 31, 2017
- Funding exploration expenditures for an additional \$1,125,000 due December 31, 2018

## LOMIKO METALS INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended October 31, 2017

Unaudited – Expressed in Canadian dollars

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#### 6. EXPLORATION AND EVALUATION ASSETS - continued

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##### **Bourier – Quebec**

On April 28, 2016, the Company and Critical Elements Corporation entered into an option agreement (“Agreement”) that gives the Company the right to acquire up to a 70% interest in the Bourier project, located in Quebec.

\$10,000 was paid and (before 10:1 consolidation) 2,500,000 common shares were issued for a deemed value of \$125,000.

In December 2016, the Company terminated the agreement and wrote off all related costs.

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#### 7. DEMAND LOAN

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On November 5, 2015, the Company received a US \$110,000 loan from Graphene ESD Corporation, a company in which the Company has a 40% ownership interest. The loan bears interest at a rate of 1% per annum and is payable on demand.

On September 18, 2017 the Company transferred its remaining Graphene 3D Lab common shares, to Graphene ESD Corp. to settle the outstanding loan balance.. The company realized a gain of \$\$35,897 on this settlement.

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#### 8. FLOW THROUGH PREMIUM LIABILITIES

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Other liabilities consist of the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuances:

	Issued August 23, 2017	Issued July 4, 2017	Total
Balance at July 31, 2017	\$ -	\$ 57,693	\$ 57,693
Liability incurred on flow-through shares issued	<u>11,520</u>	<u>-</u>	<u>11,520</u>
Balance July 31, 2017	<u>\$ 11,250</u>	<u>\$57,693</u>	<u>\$ 69,213</u>

During the period the Company was required to pay \$1,300 for not filing the T100A form in time.

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#### 9. SHARE CAPITAL AND RESERVES

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##### **(a) Share Capital**

##### **Authorized**

The Company's authorized share capital consists of an unlimited number of common shares without par value.

## **LOMIKO METALS INC.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended October 31, 2017

*Unaudited – Expressed in Canadian dollars*

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#### **9. SHARE CAPITAL AND RESERVES - continued**

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##### **Issued**

*Year ended July 31, 2017*

On September 7, 2016 the Company completed a non-brokered private placement, by issuing (before 10:1 consolidation) 263,400 flow through units of the Company at \$0.05 per unit for total gross proceeds of \$13,170. Each flow-through unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.075 per share for a period of 36 months after closing. In addition, the Company issued (before 10:1 consolidation) 4,817,500 units of the Company at \$0.04 per unit. Each unit comprises of one common share and one common share purchase warrant. Each warrant is exercisable into common share at an exercise price of \$0.05 per share for a period of 18 months after closing. Legal fees of \$4,763 were incurred.

On December 19, 2016 the Company consolidated its issued and outstanding shares on a basis of one share for every ten outstanding shares.

On May 5, 2017 450,000 shares were issued, at a deemed value of \$166,000, in accordance with an agreement to secure an additional 20% interest in the La Loutre Crystalline and Lac-des-Iles properties.

On May 19, 2017 the Company issued 600,000 common shares at a deemed value of \$165,000, as part the license sale agreement. Legal costs of \$2,500 were incurred.

On July 4, 2017 the Company completed a brokered private placement, by issuing 961,538 flow-through unit for gross proceeds of \$250,000. Each unit consists of one flow-through common share and one common share purchase warrant. Each warrant is exercisable into common share at an exercise price of \$0.29 per share for a period of 24 months. The warrants had a fair value of \$10,161 measured using the Black Scholes valuation model. The company recorded a liability on the flow through premium of \$57,692, for the difference between the fair value of its common shares and the issuance price of its flow through common shares. This has been recorded as a flow-through common share issuance liability. In addition, the Company paid finder's fees of \$20,000, financing fees of \$7,500 and issued 38,462 common share units to brokers. Each unit consists of one common share and one common share purchase warrant. The warrants had a fair value of \$406 measured using the Black-Scholes valuation model.

In addition, on July 4, 2017, the Company completed a brokered private placement, by issuing 1,492,538 common share units for gross proceeds of \$298,508. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into common share at an exercise price of \$0.29 per share for a period of 36 months. The warrants had a fair value of \$18,845 measured using the Black-Scholes valuation model. Commissions of \$23,881 were paid. In addition, 119,403 broker warrants issued with a fair value of \$1,508 measured using the Black- Scholes valuation model. Legal costs of \$8,750 were incurred for the brokered private placements. Each warrant is exercisable into common share at an exercise price of \$0.075 per share for a period of 18 months after closing. The warrants had a fair value of \$5,215 measured using the Black-Scholes valuation model. In addition the Company paid commissions of \$5,750 and legal expenses of \$3,750.

**LOMIKO METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended October 31, 2017

*Unaudited – Expressed in Canadian dollars***9. SHARE CAPITAL AND RESERVES - continued***Three month period ended October 31, 2017*

On August 23, 2017 the Company completed a private placement, by issuing of 192,000 flow-through units for gross proceeds of \$49,920. Each unit consists of one flow-through common share and one common share purchase warrant. Each warrant is exercisable into common share at an exercise price of \$0.29 per share for a period of 24 months. The warrants had a fair value of \$2,131 measured using the Black Scholes valuation model. The company recorded a liability on the flow through premium of \$11,520 for the difference between the fair value of its common shares and the issuance price of its flow through common shares. This has been recorded as a flow-through common share issuance liability

In addition, on August 23, 2017, the Company completed a private placement, by issuing of 2,670,000 common share units for gross proceeds of \$534,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into common share at an exercise price of \$0.29 per share for a period of 36 months. The warrants had a fair value of \$35,316 measured using the Black-Scholes valuation model.

Legal costs of \$8,550 were incurred for the private placements.

**b) Share purchase warrants**

A summary of the Company's outstanding share purchase warrants as at July 31, 2017 is as follows:

	Number of Warrants (post consolidation)	Weighted Average Exercise Price
<b>Balance, July 31, 2016</b>	<b>2,279,057</b>	<b>\$1.00</b>
Issued for financing	3,120,031	0.35
Expired	<u>(1,489,057)</u>	1.14
<b>Balance, July 31, 2017</b>	<b>3,910,031</b>	<b>\$0.47</b>
Issued for financing	<u>2,862,000</u>	0.29
<b>Balance, October 31, 2017</b>	<b>6,772,031</b>	<b>\$0.42</b>

The following table summarizes information relating to share purchase warrants outstanding and exercisable at October 31, 2017.

Number of Warrants (post consolidation)	Exercise Price	Expiry Date
2,670,000	\$0.29	August 23, 2020
1,611,941	\$0.29	July 4, 2020
26,340	\$0.50	September 7, 2019
192,000	\$0.29	August 23, 2019
1,000,000	\$0.29	July 4, 2019
500,000	\$0.75	June 21, 2019
40,000	\$0.75	June 21, 2019
481,750	\$0.50	March 7, 2018
<u>250,000</u>	\$0.75	January 19, 2018
<u><b>6,772,031</b></u>		

**LOMIKO METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended October 31, 2017

*Unaudited – Expressed in Canadian dollars***9. SHARE CAPITAL AND RESERVES - continued**

The weighted average remaining contractual life of the warrants as at October 31, 2017 was 2.22 years (July 31, 2017– 2.08 years).

The following weighted average assumptions were used for the Black-Scholes option valuation of warrants granted:

	<u>October 31, 2017</u>	<u>July 31, 2017</u>
Risk free interest rate	1.31%	0.81%
Expected life of warrants	2.92 years	2.08years
Annualized stock price volatility	122.7%	129.8%
Expected dividend yield	0%	0%
Expected forfeiture rate	90%	90%

**(c) Share-based payments****Plan Details**

The Company has established a stock option plan for directors, senior officers, employees, management, company employees and consultants (collectively "Eligible Persons") for the Company and its subsidiaries. The purpose of the plan is to give to Eligible Persons, as additional compensation, the opportunity to participate in the success of the Company by granting to such individuals Options to buy shares of the Company at a price not less than the market price prevailing on the grant date less applicable discount, if any, permitted by TSX Policies and approved by the Board.

The expiry date for each option shall be set by the board at the time of issuance and shall not be more than ten years after grant date. Options shall not be assignable (or transferable) by the optionee. The maximum number of shares reserved for issuance under the share option plan in aggregate shall not exceed 10% of the total number of the Company's issued and outstanding common shares on a non-diluted basis prior to the issuance. The number of shares which may be issuable under the plan within a twelve month period to one optionee shall not exceed five percent of the total number of issued and outstanding shares on a non-diluted basis. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position. Pursuant to the stock option plan, options granted in respect of investor relations activities are subject to vesting in stages over a twelve month period with 20% vesting on the date of grant and 20% each three months thereafter. Vesting restrictions may also be applied to other options grants, at the discretion of the Board of Directors.

Stock options are summarized as follows:

	Number of Options (post consolidation)	Weighted Average Exercise Price
<b>Balance, July 31, 2016</b>	<b>525,000</b>	
Expired	<u>(35,000)</u>	\$1.00
<b>Balance, July 31, 2017 and October 31, 2017</b>	<b><u>490,000</u></b>	

## LOMIKO METALS INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended October 31, 2017

Unaudited – Expressed in Canadian dollars

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#### 9. SHARE CAPITAL AND RESERVES - continued

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The following weighted average assumptions were used for the Black-Scholes option valuation of stock options granted:

Number of options Outstanding (post consolidation)	Exercise price	Expiry date
67,500	\$1.00	February 1, 2018
40,000	\$1.00	April 30, 2018
182,500	\$1.00	January 31, 2019
<u>200,000</u>	\$1.00	September 5, 2019
<u>490,000</u>		

The weighted average remaining contractual life of options outstanding at October 31, 2017 was 1.29 years (July 31, 2017 - 1.55 years).

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#### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, except as noted under equity risk. Its objectives, policies and processes for managing those risks or the methods used to measure them from previous year have not changed.

##### **General Objectives, Policies and Processes:**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

##### **a) Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

##### **Foreign Currency Risk:**

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

## LOMIKO METALS INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended October 31, 2017

Unaudited – Expressed in Canadian dollars

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#### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

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##### Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

##### Equity Price Risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The investment in Graphene 3D Lab Inc. equity is measured at fair value and is subject to re-measurement. Although the current unrealized gain is substantial at the date of the report, fluctuations in price may materially change the fair value, resulting in changes in the unrealized gain/loss.

##### b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. The majority of cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand. The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at October 31, 2017 relating to cash of \$ 36,195 (July 31, 2017 - \$98,305) and other receivables of \$37,247 (July 31, 2017 – \$8,493). All cash, cash equivalents and short term deposits are held at the Bank of Montreal.

##### c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that it has sufficient cash on demand to meet short-term business requirements, after taking into account the Company's holdings of cash.

The Company's cash is invested in business accounts and is available on demand. Funding risk is the risk that the Company may not be able to raise equity financing in a timely manner and on terms acceptable to management. There are no assurances that equity financing will be available when, and if, the Company requires additional financing.

The following table summarizes the Company's significant remaining contractual maturities for financial liabilities as at October 31, 2017 and July 31, 2017.

	Less than 3months	3 – 12 months	Total
<u>July 31, 2017</u>			
Trade payables and other payables	\$ 366,369	\$ -	\$ 366,369
<u>October 31, 2017</u>			
Trade payables and other liabilities	\$ 260,664	\$ -	\$ 260,664

**LOMIKO METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended October 31, 2017

*Unaudited – Expressed in Canadian dollars***10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued****d) Fair value of financial instruments**

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair value:

	Level 1	Level 2	Level 3	Total
<u>July 31, 2017</u>				
Investment in equity	\$ 140,667	\$ -	\$ -	\$ 140,667
Cash and Cash equivalents	\$ 98,305	\$ -	\$ -	\$ 98,305
<u>October 31, 2017</u>				
Investment in equity	\$ -	\$ -	\$ -	\$ -
Cash and Cash equivalents	\$ 36,195	\$ -	\$ -	\$ 36,195

Level 1 - quoted prices (unadjusted) in active markets

Level 2 - 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

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

**11. RELATED PARTY TRANSACTIONS**

Key management personnel include the Board of Directors, CEO and Chief Financial Officer (“CFO”) of the Company. The remuneration of key management personnel was as follows:

	October 31, 2017	October 31, 2016
Fees paid to companies related to directors or to directors	\$ 45,000	\$ 45,000

Included in accounts payable is \$40,645 (October 31, 2016 - \$4,819) owing to directors or companies related to directors.

**LOMIKO METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended October 31, 2017

*Unaudited – Expressed in Canadian dollars*

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**12. EARNINGS PER SHARE**

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	October 31, 2017	October 31, 2016
Loss attributed to ordinary shareholders	\$ (153,229)	\$ (332,509)
Weighted average number of common shares	24,356,429	18,667,391
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as stock options, in the weighted average number of common shares outstanding during the period, if dilutive.

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**13. CONTINGENCIES**

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On August 6, 2014 the Company received legal notice that a plaintiff is seeking damages in relation to a contract dispute arising out of a subscription agreement and alleged ratchet agreement between the Company and the plaintiff. The plaintiff is seeking unspecified damages or alternatively the issuance of 333,333 (post-consolidated) common shares as well as other ancillary relief. The Company disputes the claims and has not made any provisions in the accounts and is actively in negotiations.

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**14. EVENTS AFTER REPORTING PERIOD**

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On November 10, 2017 the Company completed a brokered private placement, by issuing 2,000,000 common share units for gross proceeds of \$280,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into common share at an exercise price of \$0.20 per share for a period of 24 months.

On November 17, 2017 the Company completed a brokered private placement, by issuing 5,330,143 common share units for gross proceeds of \$746,220. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into common share at an exercise price of \$0.20 per share for a period of 24 months.

On November 17, 2017 the Company completed a brokered private placement, by issuing 645,000 flow-through units for gross proceeds of \$103,200. Each unit consists of one flow-through common share and one common share purchase warrant. Each warrant is exercisable into common share at an exercise price of \$0.26 per share for a period of 24 months.

A finder's fee of \$19,600 was paid for the brokered private placements.

**LOMIKO METALS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Three months ended October 31, 2017

*Unaudited – Expressed in Canadian dollars*

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**15. PRIOR PERIOD ADJUSTMENT**

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During the current fiscal year the Company discovered a few vendor invoices payable related to the year ended July 31, 2016 that had not been recorded or accrued in that fiscal year. The Company retroactively recorded the expenses in the current year, increasing the loss and comprehensive loss for the year ended July 31, 2016 by \$45,637. The opening balances have been restated to report the increased expenses. The impact on loss per share is negligible.