



LOMIKO METALS INC.

(An exploration stage company)

CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lomiko Metals Inc.

We have audited the accompanying consolidated financial statements of Lomiko Metals Inc., which comprise the consolidated statements of financial position as at July 31, 2017 and July 31, 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended July 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 controls as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

The Company has a cumulative investment of \$1,035,973 in a private company which it has accounted for as an investment in an associate. Due to limited information, we were unable to perform audit procedures to verify the carrying amount of the investment, nor were we able to test the investment for impairment.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of adjustments, if any, that we may have been determined to be necessary had we been able to verify the value of the investment in the above mentioned associate, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which indicates that the Company is still in exploration stage and, as such, no revenue has been yet generated from its operating activities. Accordingly, the Company depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business. These conditions, along with other matters as set forth in note 1, indicate the existence of an uncertainty that may cast doubt about the Company's ability to continue as a going concern.

Galloway Botts & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
November 28, 2017

LOMIKO METALS INC.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

	As at July 31, 2017	As at July 31, 2016
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 98,305	\$ 326,031
Other receivables	8,493	10,442
Due from associate	9,004	-
Prepaid expenses	23,141	37,990
	<u>138,943</u>	<u>374,463</u>
Non-current		
Investment in associate (Note 5)	1,094,476	189,893
Investment in equity securities (Note 6)	140,667	1,175,962
Exploration and evaluation advances	243,072	-
License (Note 7)	-	458,878
Website (Note 7)	-	8,170
Exploration and evaluation assets (Note 8)	5,229,356	4,910,163
	<u>6,707,571</u>	<u>6,743,066</u>
	<u>\$ 6,846,514</u>	<u>\$ 7,117,529</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 213,334	\$ 208,734
Income taxes payable	15,700	26,029
Demand loan (Note 9)	137,335	144,998
	<u>366,369</u>	<u>379,761</u>
Other		
Flow through premium liabilities (Note 10)	57,692	50,000
Deferred tax liability (Note 12)	10,107	76,729
	<u>67,799</u>	<u>126,729</u>
EQUITY		
Share capital (Note 11)	24,885,169	23,965,723
Share subscriptions received	157,920	64,920
Warrants (Note 11)	57,987	442,019
Share based payment reserve (Note 11)	362,208	378,713
Accumulated other comprehensive income	28,767	318,384
Deficit	(19,079,705)	(18,558,720)
	<u>6,412,346</u>	<u>6,611,039</u>
	<u>\$ 6,846,514</u>	<u>\$ 7,117,529</u>

Nature of Operations (Note 1)
 Commitments and contingencies (Note 18 & 19)
 Events after reporting period (Note 20)
 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 consolidated financial statements

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

(Expressed in Canadian Dollars)

	Year ended July 31, 2017	Year ended July 31, 2016
Expenses		
Advertising and promotion	\$ 217,697	\$ 325,770
Consulting fees	2,850	41,500
Management fees (Note 15)	180,000	180,000
Office and miscellaneous	28,344	17,803
Professional fees	207,454	149,565
Regulatory and filing fees	76,898	100,081
Research and development	-	45,298
Shareholder communications	28,197	31,725
Travel	32,286	23,585
Loss from operations	(773,726)	(915,327)
Other income/(loss) from continuing operations		
Interest income	16	1,500
Part XII.6 interest	-	(8,841)
Flow-through share premium (Note 10)	52,634	-
Loss from abandonment of advance	-	(61,430)
Write down of mineral property acquisition and exploration costs	(135,000)	-
Write down of investment in associates	(130,905)	-
Interest on demand loan	(1,450)	(1,065)
Share of associate loss	(153,686)	(1,785)
Gain on translation of foreign currency debt	7,663	-
Gain on sale of marketable securities	124,750	333,682
Gain on sale of license	65,670	-
	(170,308)	262,061
Loss from continuing operations, before income tax	(944,034)	(653,266)
Income tax expense	(15,700)	(26,029)
Net loss from continuing operations	(959,734)	(679,295)
Other		
Unrealized (loss) on re-measurement of equity investments	(356,239)	(2,024,978)
Deferred tax recovery (Note 12)	66,622	41,831
	(289,617)	(1,983,147)
Comprehensive (loss) for the year	\$ (1,249,351)	\$ (2,662,442)
Basic and Diluted Loss Per Share	\$ (0.05)	\$ (0.05)
Basic and Diluted Weighted Average Common Shares	19,028,600	14,348,654

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

LOMIKO METALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended July 31, 2017	Year ended July 31, 2016
Cash flows from (used in) operating activities		
Net loss from continuing operations	\$ (959,734)	\$ (679,295)
Items not involving cash and cash equivalents:		
Equity investment share of loss	153,686	1,785
Flow-through premium	(52,634)	-
Gain on translation of foreign currency debt	(7,663)	-
Gain on sale of equity securities	(124,750)	(333,682)
Gain on sale of license	(65,670)	-
Write down of investment in associate	130,905	-
Write down of mineral property	135,000	-
	(790,860)	(1,011,192)
Changes in non-cash working capital items:		
Other receivables	2,011	48,406
Prepaid expenses	14,849	164,978
Accounts payable and accrued liabilities	87,682	18,780
Income tax payable	(10,329)	26,029
	(696,647)	(752,999)
Cash flows from (used in) from financing activities		
Issuance of flow through shares for cash	263,170	250,000
Issuance of shares for cash	491,208	100,000
Share issue cost	(67,394)	(44,600)
Demand loan	-	144,998
Share subscriptions received	93,000	64,920
	779,984	515,318
Cash flows from (used in) investing activities		
Proceeds from sale of marketable securities	239,265	467,374
Exploration and evaluation advances	(243,072)	-
License	(4,490)	(198,985)
Website	(5,568)	-
Investment in mineral properties	(288,194)	(1,065,608)
Advance to Smart Home Devices	(9,004)	-
	(311,063)	(797,219)
(Decrease) in cash	(227,726)	(1,034,900)
Cash and cash equivalents, beginning of year	326,031	1,360,931
Cash and cash equivalents, end of year	\$ 98,305	\$ 326,031
Non-cash transactions:		
Resource property acquired by issuance of shares	\$ 166,000	\$ 125,000
Investment acquired by issuance of shares	165,000	564,541
Flow through premium liability	57,692	50,000
Disposal of license for investment in equity	624,633	-
Settlement of accounts payable through sale of license	83,143	-
Fair value of finders warrants issued	1,914	-
Fair value of finders common shares issued	10,000	-

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

LOMIKO METALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(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						
Balance, July 31, 2015	155,463,267	\$ 23,040,559	-	\$ 1,242,413	\$ 410,430	\$ 2,301,531	\$ (18,731,313)	\$ 8,263,620
Issuance of shares for equity investment	16,129,743	564,541	-	-	-	-	-	564,541
Issuance of shares for resource property	2,500,000	125,000	-	-	-	-	-	125,000
Issuance of flow through shares for cash	5,000,000	200,000	-	-	-	-	-	200,000
Issuance of shares for cash	2,500,000	100,000	-	-	-	-	-	100,000
Share subscriptions received	-	-	64,920	-	-	-	-	64,920
Share issue costs	-	(44,600)	-	-	-	-	-	(44,600)
Warrants issued	-	(19,777)	-	19,777	-	-	-	-
Warrants expired	-	-	-	(820,171)	-	-	820,171	-
Options expired	-	-	-	-	(31,717)	-	31,717	-
Unrealized (loss) on re-measurement of equity securities	-	-	-	-	-	(1,983,147)	-	(1,983,147)
Net loss for the year	-	-	-	-	-	-	(633,658)	(633,658)
Balance, July 31, 2016	181,593,010	\$ 23,965,723	\$ 64,920	\$ 442,019	\$ 378,713	\$ 318,384	\$ (18,513,083)	\$ 6,656,676
Prior period adjustment (Note 21)							(45,637)	(45,637)
Restated							(18,558,720)	6,611,039
Pre-reverse stock split								
Issuance of shares for cash	4,817,500	192,700	(51,750)	-	-	-	-	140,950
Issuance of flow through shares for cash	263,400	13,170	(13,170)	-	-	-	-	-
	186,673,910							
Effect of 10:1 share consolidation (note 1)	(168,006,519)							
	18,667,391							
Post-reverse stock split								
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	189,673	-	-	-	-	-	189,673
Fair value assigned to finders warrants	-	(1,914)	-	1,914	-	-	-	-
Share issue costs	-	(77,393)	-	-	-	-	-	(77,393)
Fair value assigned to warrants	-	(36,297)	-	36,297	-	-	-	-
Warrants expired	-	-	-	(422,243)	-	-	422,243	-
Options expired	-	-	-	-	(16,505)	-	16,505	-
Share subscriptions received	-	-	157,920	-	-	-	-	157,920
Unrealized (loss) on re-measurement of equity securities	-	-	-	-	-	(289,617)	-	(289,617)
Net loss for the year	-	-	-	-	-	-	(959,734)	(959,734)
Balance, July 31, 2017	22,209,929	\$ 24,885,169	\$ 157,920	\$ 57,987	\$ 362,208	\$ 28,767	\$ (19,079,705)	\$ 6,612,346

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

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

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 properties and the investment in power supply products companies. 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 120th Street, Surrey, British Columbia, Canada.

Going Concern

These consolidated 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 \$19,079,705 and has reported a net loss from operations of \$959,734 before other comprehensive loss items totaling \$289,617 for a net comprehensive loss of \$1,249,351 for the year ended July 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 consolidated 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.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

(a) Statement of Compliance

These consolidated financial statements of the Company, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved and authorized for issue by the Board of Directors on November 28, 2017.

(b) Basis of Presentation and Consolidation

The 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.

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.

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

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE - continued

(c) New Accounting pronouncements

The Company adopted the following new or amended accounting standards on August 1, 2016.

IAS 1 Presentation of Financial Statements – In December 2014, the IASB issued amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial statements by clarifying that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements and even when a standard requires a specific disclosure, materiality considerations do apply. The amendments also clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below. These accounting policies have been used throughout all periods presented in the consolidated financial statements.

a) Investment in Associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method from the date on which the investee becomes an associate. Under the equity method, investments in associates are carried in the statement of financial position at cost adjusted for post-acquisition changes in the Company's share of net assets of the associates, less any impairment losses.

The requirements of IAS 39 *Financial Instruments: Recognition and Measurement (IAS 39)* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of Assets (IAS 36)* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment.

Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Losses in an associate in excess of the Company's interest in that associate are recognized only to the extent that the Company has incurred a legal or constructive obligation to make payments on behalf of the associate.

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

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

b) Presentation currency and foreign currency translation

The consolidated financial statements are presented in Canadian dollars which is the functional currency of each subsidiary in the Company.

Foreign currency transactions are translated into functional currency of each entity 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 re-measurement of foreign currency denominated monetary items at reporting period and exchange rates are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rates in effect at the time of the initial transaction and are not subsequently re-measured at reporting period ends.

c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less and which are subject to an insignificant risk of changes in values.

d) Licenses

All costs related to the acquisition and development of licenses are capitalized as intangible assets. License costs will be written off against income generated from licensed product sales. The expected useful life of the licenses is based on the life of the patent.

e) Exploration and Evaluation Expenditures

Exploration and evaluation assets include the costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to profit or loss. Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within equipment. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

f) Interest Income

Interest income is recorded on an accrual basis using the effective interest method.

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

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

g) Decommissioning liabilities

The Company recognizes a provision for statutory, contractual, constructive or legal obligations, including those associated with the decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or evaluation of exploration and evaluation assets. Provisions for site closure and decommissioning are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money.

As at July 31, 2017 and 2016, the Company did not have any asset retirement obligations.

h) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are subsequently measured as described below.

Financial Assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

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

The category determines how the asset is subsequently measured and whether any resulting income or expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are considered impaired when there is objective evidence that a financial asset or a Company of financial assets has been impaired. Different criteria to determine impairment are applied for each category of financial assets which are described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method. Loans and receivables comprise cash and cash equivalents and receivables (other than goods and services tax (GST¹) from Canadian government taxation authorities).

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

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The Company currently does not have any financial assets in this category.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined for example by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company currently does not have any financial assets in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method is recognized in profit or loss. Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized. The Company's investment in Graphene 3D Lab shares are classified in this category.

Financial Liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognized in profit or loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense 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, a shorter period. The Company's financial liabilities measured at amortized cost include accounts payable and accrued liabilities, bank indebtedness and loans payable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

i) Impairment of Assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- The right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- No further exploration or evaluation expenditures in the area are planned or budgeted;
- No commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- Sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment loss is reversed when the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

The impairment of investment in associates occurs when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. If any evidence of impairment exists, the loss is recognized. The current loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized as an expense. An impairment loss is reversed in a subsequent period to the extent that the recoverable amount of the investment increases.

Financial Assets

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The amount of the impairment loss is recognized in profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the profit or loss, except for equity instruments classified as available-for-sale where the reversal is recorded in other comprehensive income.

Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. For exploration and evaluation assets the Company considers the following indicators of impairment: (i) whether the period for which the Company has the right to explore has expired in the period or will expire in the near future, and is not expected to be renewed; (ii) substantive expenditures on further exploration for and evaluation of mineral resources is neither budgeted nor planned; (iii) exploration and evaluation have not led to the discovery of commercially viable mineral resources and activities are to be discontinued; (iv) sufficient data exists to indicate that, although a development in the area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale; and (v) other factors that may be applicable such as a significant drop in metal prices or deterioration in the availability of equity financing. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable Company of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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 in profit or loss.

An impairment loss recognized in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that 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 periods. A reversal of an impairment loss is recognized in profit or loss.

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

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

j) Taxes

Tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current taxes

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred taxes

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

Sales tax

Expenses and assets are recognized net of the amount of sales tax except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- When receivables and payables are stated with an amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

k) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

l) Earnings/Loss per Share

Basic earnings (loss) per common share is computed by dividing the net income (loss) available to common shareholders of the Company by the weighted average number of shares outstanding or committed to issue for the relevant year.

Diluted earnings (loss) per common share is computed by dividing the net income (loss) applicable to common shareholders by the sum of the weighted average number of common shares issued and outstanding or committed and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

m) Share-based Payments

The Company has a stock option plan under which it grants stock options to directors, employees, consultants and service providers.

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. The value of the options and warrants granted, related to the issuance of shares, are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in share based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share based payment reserve is credited to share capital, adjusted for any consideration paid.

LOMIKO METALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

n) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The proceeds received and the corresponding obligation to incur qualified expenditures at the end of the Company's reporting year is disclosed in Note 10.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

o) Significant Accounting Judgments and Estimates

The preparation of the Company's consolidated financial statements in accordance with IFRS requires Company's management to make certain judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results are likely to differ from these estimates. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses in these consolidated financial statements are discussed below.

Going concern: The assessment of the Company's ability to continue as a going concern requires significant judgment. The Company considers the factors outlined in Note 1 when making its going concern assessment.

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 such acquisition 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 resources 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 to profit or loss in the period when the new information becomes available. The carrying value of these assets is detailed at Note 8.

LOMIKO METALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Title to Mineral Property Interests: Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Estimates and assumptions

Share-based payments: The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers and employees. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based payment calculation value.

Deferred tax assets: The assessment of the probability of future taxable income against which deferred tax assets can be utilized is based on the Company's future planned activities, supported by budgets that have been approved by the Board of Directors. Management also considers the tax rules of the various jurisdictions in which the Company operates. Should there not be a forecast of taxable income that indicates the probable utilization of a deferred tax asset or any portion thereof, the Company does not recognize the deferred tax asset.

p) Changes in Accounting Policies—New and Amended Standards and Interpretations

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these consolidated financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 9 – Financial Instruments: The IASB published the final version of IFRS 9 in July 2014. The final standard brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes a loss impairment model, amends the classification and measurement model for financial assets and provides additional guidance on how to apply the business model and contractual characteristics test. This final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted. Management is currently evaluating the impact the final standard is expected to have on the Group's consolidated financial statements.

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

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

4 CASH AND CASH EQUIVALENTS

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.

	July 31, 2017	July 31, 2016
Cash and bank balances	\$ 95,305	\$ 323,031
Cash equivalents	<u>3,000</u>	<u>3,000</u>
	<u>\$ 98,305</u>	<u>\$ 326,031</u>

5 INVESTMENT IN ASSOCIATE**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 and through a common director. It accounts for its investment on the equity basis.

	<u>Number of</u> <u>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	1,800	<u>\$ 58,503</u>

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

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

5 INVESTMENT IN ASSOCIATE - continued**Smart Home Devices Ltd. (SHD)** (See Independent Auditors' Report).

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. (See note 6 and 7).

During March to May 2017 the Company acquired an additional 867,546 common shares with 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. (Note 7).

The Company owns 23.92% (2016 – 12.97%) of the total equity of SHD.

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

Summary of investment in associates:

	July 31, 2017	July 31, 2016
Graphene ESD Corp	\$ 58,503	\$ 189,893
Smart Home Devices Ltd.	<u>1,035,973</u>	_____
	<u>\$ 1,094,476</u>	<u>\$ 189,893</u>

6 INVESTMENT IN EQUITY SECURITIES**Graphene 3D Lab Inc.**

On November 22, 2013 the Company paid \$50,000 to acquire 250,000 common shares of Graphene 3D Lab Inc. On August 8, 2014, Graphene 3D Lab Inc. completed a reverse takeover of Matric Resources Inc. (a publicly listed Company) and a forward split converted the number of shares to 3,196,970. The shares are held in escrow and are being released on the following terms:

60% released
40% August 8, 2017

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

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6 INVESTMENT IN EQUITY SECURITIES- continued

On May 8, 2014 the Company entered into a subscription agreement to purchase 1,200,000 common shares of Matric Resources Inc., (Matric) for \$300,000. On August 8, 2014, Matric was taken over by Graphene 3D Lab Inc.

The following is a summary of the shares available for sale and held in escrow:

	<u>Available for sale</u>	<u>Held in escrow</u>	<u>Total</u>
July 31, 2016	479,545	2,237,880	2,717,425
July 31, 2017	-	1,278,790	1,278,790

The following table summarizes the Company's holdings in 3D Lab Inc.:

	<u>Percentage of voting shares owned</u>	<u>Cost</u>	<u>Fair Value</u>
<i>July 31, 2016</i>			
Graphene 3D Lab Inc.	5.50%	<u>\$ 216,308</u>	<u>\$ 611,421</u>
<i>July 31, 2017</i>			
Graphene 3D Lab Inc.	2.26%	<u>\$ 101,792</u>	<u>\$ 140,667</u>

During the year, the Company sold 1,438,635 (2016 – 1,679,545) shares for net proceeds of \$239,265 (2016 – \$467,375) and a gain of \$124,750 (2016 – \$333,682).

The common shares are classified as Level 1 in the fair value hierarchy (see note 13) and as available for sale financial assets. The fair value of available for sale investments is determined based on a market approach reflecting the closing price of the security at the reporting date. The closing price is a quoted price obtained from the exchange that is the principal active market for the security.

Summary of investment in securities:

	July 31, 2017	July 31, 2016
Graphene 3D Lab Inc.	\$ 140,667	\$ 611,421
SHD Smart Home Devices Ltd.	<u>-</u>	<u>564,541</u>
	<u>\$ 140,667</u>	<u>\$ 1,175,962</u>

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

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

7 LICENSE**MEGAHERTZ POWER SYSTEMS INC.**

On October 20, 2014, the Company, signed an agreement with Megahertz Power Systems (“Megahertz”) to acquire a license for non-exclusive rights to the manufacturing and sale of three power supply products for the Canadian and United States markets.

The Company paid \$250,000 to Megahertz for business startup costs.

The Company was required to finance the manufacturing and distribution of the licensed power supply products and pay Megahertz a project management fee to manage the manufacturing, distribution, marketing and sales of the licensed power supply products.

On February 10, 2015 the Company executed a non-exclusive license agreement with Megahertz for the production and sale of three licensed power supply products (Spider Charger, Allanson LED Driver and 60 and 90 LED Drivers) for sale in Canada and the United States. On February 18, 2015 the Company also executed three separate statements of work agreements (“SOW”) for the licensed products. Megahertz would provide project management services to the Company for each SOW.

On February 12, 2016, Megahertz amalgamated a number of its concept designs, technology licenses, patent applications and intellectual property into a company named Smart Home Devices Ltd. (“SHD”). SHD is a private Company incorporated under the laws of British Columbia.

On March 15, 2016 the Company acquired 778,890 shares of SHD In consideration for the shares, the Company issued (before 1:10 share consolidation) 16,129,743 common shares from treasury at \$0.035 per share for a deemed value of \$564,541.

On July 31, 2016, further development of the Allanson product was suspended.

On December 31, 2016 the Company discontinued development of the remaining products.

On March 15, 2017 the Company transferred all product development costs, trademarks, patents, and website to SHD. In consideration for the assets, SHD issued 659,213 common shares with a conditional value of \$474,633 to the Company. As part of agreement, the Company agreed to issue 600,000 common shares (issued) with a conditional value of \$165,000 to SHD. SHD agreed to issue to the Company a further 208,333 common shares with a conditional value of \$150,000.

License	\$ 499,389
Website	8,170
Trademark	<u>5,417</u>
	512,976
Write off of costs	<u>(45,928)</u>
July 31, 2016	\$ 467,048
Trademark additions	4,162
Website additions	5,568
License additions	328
Forgiveness of debt	<u>(83,143)</u>
	\$ 393,963
Sale to SHD	<u>(393,963)</u>
July 31, 2017	<u>\$ -</u>

LOMIKO METALS INC.
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8 EXPLORATION AND EVALUATION ASSETS

The following table shows the exploration and evaluation assets:

	Vines Lake	Quatre-Milles	Quatre-Milles West	La Loutre Crystalline	Lac-des-Iles	Bourier	Total
Balance, July 31, 2015	\$ 597,525	\$ 719,861	\$ 224,961	\$ 1,391,668	\$ 785,540	\$ -	\$ 3,719,556
Exploration costs	600	1,216	-	1,016,649	33,563	-	-
Acquisition of property	-	-	-	-	-	135,000	-
Claim renew	-	-	3,579	-	-	-	-
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

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.

LOMIKO METALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8 EXPLORATION AND EVALUATION ASSETS - continued

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

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.

9 DEMAND LOAN

On November 5, 2015, the Company received a US \$110,000 loan from Graphene ESD Corporation, a company in which Lomiko has a 40% ownership interest. The loan bears interest at a rate of 1% per annum and is payable on demand. (See Note 20 – Events after reporting period)

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

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10 FLOW THROUGH PREMIUM LIABILITIES

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 July 4, 2017	Issued September 7, 2016	Issued June 21, 2016	Total
Balance at July 31, 2016	\$ -	\$ -	\$ 50,000	\$ 50,000
Liability incurred on flow-through shares issued	-	2,634	-	-
Settlement of flow-through share liability on incurring expenditures	-	(2,634)	(50,000)	-
Liability incurred on flow-through shares issued	<u>57,692</u>	<u>-</u>	<u>-</u>	<u>57,692</u>
Balance July 31, 2017	<u>\$57,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,692</u>

During the year the Company was required to pay Part XII.6 interest and penalties in the amount of \$nil (2016 - \$8,841) for making insufficient flow through expenditure payments.

11 SHARE CAPITAL AND RESERVES**(a) Share Capital****Authorized**

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

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.

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

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11 SHARE CAPITAL AND RESERVES - continued

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 of 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 of 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.

Year ended July 31, 2016

On February 16, 2016 the Company issued (before 10:1 consolidation) 16,129,743 common shares at a value of \$564,541, to acquire 778,890 common shares of Smart Home Devices Ltd. In addition, \$1,200 of share issue costs were incurred.

On May 3, 2016 the Company issued (before 10:1 consolidation) 2,500,000 shares, for a deemed value of \$125,000, pursuant to a property option agreement to acquire a 49% interest in the Bourier Property exploration.

On June 21, 2016 the Company completed a brokered private placement, by issuing of (before 10:1 consolidation) 5,000,000 flow through units of the Company at \$0.05 per unit for total gross proceeds of \$250,000. Each flow-through unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable into common share at an exercise price of \$0.075 per share for a period of 36 months after closing. The warrants had a fair value of \$13,483, measured using the Black-Scholes valuation model. Additionally (before 10:1 consolidation) 400,000 broker warrants were issued with a fair value of \$1,079, measured using the Black-Scholes valuation model. The Company recorded a liability on the flow through premium of \$50,000, for the difference between the fair value of its common shares and the issuance price of its flow-through shares. This has been recorded as a flow-through common share issuance liability. In addition, the Company paid commission of \$20,000 and legal expenses of \$13,900.

On July 19, 2016 the Company completed a non-brokered private placement, by issuing of (before 10:1 consolidation) 2,500,000 units of the Company at \$0.04 per unit for gross proceeds of \$100,000. Each unit comprises of one common share and one common share purchase warrants.

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11 SHARE CAPITAL AND RESERVES - continued

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.

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
Balance, July 31, 2015	4,372,177	1.35
Issued for financing	790,000	0.70
Expired	<u>(2,883,120)</u>	1.70
Balance, July 31, 2016	2,279,057	\$1.00
Issued for financing	3,120,031	0.35
Expired	<u>(1,489,057)</u>	1.14
Balance, July 31, 2017	<u>3,910,031</u>	\$0.47

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

Number of Warrants (post consolidation)	Exercise Price	Expiry Date
1,611,941	\$0.29	July 4, 2020
26,340	\$0.50	September 7, 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>3,910,031</u>		

The weighted average remaining contractual life of the warrants as at July 31, 2017 was 2.08 years (2016 – .86 years).

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

	<u>July 31, 2017</u>	<u>July 31, 2016</u>
Risk free interest rate	0.78%	0.56%
Expected life of warrants	2.08 years	2.68 years
Annualized stock price volatility	129.5%	132.4%
Expected dividend yield	0%	0%
Expected forfeiture rate	90%	90%

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11 SHARE CAPITAL AND RESERVES - continued

(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
Balance, July 31, 2015	567,500	
Expired	<u>(42,500)</u>	\$1.00
Balance, July 31, 2016	525,000	
Expired	<u>(35,000)</u>	\$1.00
Balance, July 31, 2017	<u>490,000</u>	

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 July 31, 2017 was 1.55 years (2016 – 2.38 years).

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12 INCOME TAXES

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Deferred tax assets have not been recognized for the temporary differences noted below as the Company does not presently have sufficient evidence to establish that it is probable that the respective entities to which they relate will generate future taxable income against which to utilize the temporary differences.

	<u>July 31, 2017</u>	<u>July 31, 2016</u>
Deferred income tax	\$66,622	\$ 41,831
Deferred income tax liabilities	<u>\$10,107</u>	<u>\$ 76,729</u>

Reconciliation of income tax computed at statutory rates to the reported income tax provision is as follows:

	<u>July 31, 2017</u>	<u>July 31, 2016</u>
Loss before income taxes	\$ (959,734)	\$ (607,629)
Canadian statutory rate	26%	26%
Income tax benefit computed at Canadian statutory rate	(249,531)	(157,984)
Permanent differences	(50,539)	(41,403)
Share issue cost	(47,051)	(47,189)
Tax benefits not recognized	<u>362,821</u>	<u>272,605</u>
Income taxes payable	<u>\$ 15,700</u>	<u>\$ 26,029</u>

12 INCOME TAXES - continued

As at July 31, 2017, the Company has non-capital losses carried forward of approximately \$7,856,120 expiring in various years to 2037, that may be available to offset future taxable income.

Tax losses, expire as follows:

2027	\$ 110,806
2028	130,858
2029	462,824
2030	679,076
2031	719,946
2032	653,482
2033	602,303
2034	945,550
2035	1,541,466
2036	1,049,588
2037	<u>960,221</u>
	<u>\$ 7,856,120</u>

LOMIKO METALS INC.

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13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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.

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.

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

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13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued**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 July 31, 2017 relating to cash of \$ 98,303 and other receivables of \$17,497. 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 July 31, 2017 and July 31, 2016.

	Less than 3months	3 – 12 months	Total
<u>July 31, 2016</u>			
Trade payables and other payables	\$ 234,763	\$ 144,998	\$ 379,761
<u>July 31, 2017</u>			
Trade payables and other liabilities	\$ 366,369	\$ -	\$ 366,369

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, 2016</u>				
Investment in equity	\$ 611,421	\$ -	\$ 564,541	\$ 1,175,962
Cash and Cash equivalents	\$ 326,031	\$ -	\$ -	\$ 326,031
<u>July 31, 2017</u>				
Investment in equity	\$ 140,667	\$ -	\$ -	\$ 140,667
Cash and Cash equivalents	\$ 98,305	\$ -	\$ -	\$ 98,305

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)

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14 CAPITAL RISK MANAGEMENT

It is the Company's objective when managing capital to safeguard its ability to continue as a going concern in order that it may continue to explore and develop its mineral properties and investment in power supply products companies and continue its operations for the benefit of its shareholders. The Company's objectives when managing capital are to:

- a. continue the exploration and development of its mineral properties;
- b. support any expansion plans; and maintain a capital structure which optimizes the cost of capital at an acceptable risk.

The Company manages its equity (which includes common shares, share-based payment reserve and accumulated deficit) as capital. The Company intends to expend existing working capital by carrying out its planned acquisition, exploration and development activities on mineral properties and continuing to pay administrative costs.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure the Company may issue new shares. In order to facilitate analysis and management of its capital requirements, the Company prepares and updates annual budgets (as needed) to ensure that its acquisition and exploration operations can continue to progress. Budgets, once finalized, are approved by the Board of Directors.

There have not been any changes to the Company's capital management objective, policies and processes compared to the prior year. The Company is not subject to any externally imposed capital requirements.

The Company capital consists of cash, common shares, and warrants. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence in the Company's ability required to sustain future development and operation of the business.

The Company is not exposed to any externally imposed capital requirements.

15 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:

	July 31, 2017	July 31, 2016
Fees paid to companies related to directors or to directors	\$ 180,000	\$ 180,000

Included in accounts payable is \$80,010 (2016 - \$47,360) owing to directors.

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

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15 RELATED PARTY TRANSACTIONS - continued

During the year ended July 31, 2017, a director submitted expense reports. Included in these reports was \$65,750 of vendor invoices that were paid, on behalf of the Company, by the director with personal shares. \$34,790 of these invoices was related to the year ended July 31, 2016 that had not been recorded or accrued in that fiscal year (Note 21). The Company reimbursed the director for the expenses as outlined on the vendor invoices. The market value of the shares on the day the shares were transferred to the suppliers, was \$54,050.

16 SEGMENTED REPORTING

During the year ended July 31, 2017, the Company sold its interest in the manufacture and sale of its power supply products (see Note 7). During the year ended July 31, 2016, the Company operated in two industry segments: acquisition, exploration and development of resource properties and the manufacture and sale of power supply products. The Company's non-current assets by industry segments for the years ended July 31, 2017 and 2016 as follows:

July 31, 2017	Exploration and Evaluation	Power Supply Products
Non-current assets		
Exploration and evaluation assets	\$ 5,229,356	\$ -
Investment in associate	-	1,094,476
Investment in equity securities	-	140,667
License	-	-
Website	-	-
	<u>\$ 5,229,356</u>	<u>\$ 1,235,143</u>

July 31, 2016	Exploration and Evaluation	Power Supply Products
Non-current assets		
Exploration and evaluation assets	\$ 4,910,163	\$ -
Investment in associate	189,893	-
Investment in equity securities	-	1,175,965
License	-	458,878
Website	-	8,170
	<u>\$ 5,100,056</u>	<u>\$ 1,643,013</u>

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17 EARNINGS PER SHARE

	July 31, 2017	July 31, 2016
Loss attributed to ordinary shareholders	\$ (959,734)	\$ (679,295)
Weighted average number of common shares	19,028,600	14,348,654
Basic and diluted loss per share	\$ <u>(0.05)</u>	\$ <u>(0.05)</u>

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.

18 COMMITMENTS

Shareholders Rights Plan

On October 30, 2014 the Board of Directors adopted a Shareholder Rights Plan (the "Plan") to ensure, that all shareholders of the Company are treated fairly in connection with any take-over bid for the Company. In order to implement the adoption of the Shareholder Rights Plan, the Board of Directors has authorized and declared a distribution of one Right effective the close of business on October 30, 2014 in respect of each Common Share outstanding at the Record Time and has further authorized the issuance of one Right in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time as defined in the Plan.

Each Right entitles the holder thereof, to purchase securities of the Company pursuant to the terms and subject to the conditions set forth pursuant to the Plan. The Company appointed the rights agent, Computer Share Trust Company of Canada to act on behalf of the Company and the holders of Rights, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates (as hereinafter defined), the exercise of Rights and other matters referred to in the Plan.

Effective Date and Confirmation

This Plan is effective and in full force and effect in accordance with its terms. The plan was confirmed at the annual general meeting of holders of Voting Shares held on October 27, 2017.

Reconfirmation

This Plan must be reconfirmed by a resolution passed by a majority of the voting shareholders at the annual meeting of the Company to be held in 2020 and at every third annual meeting of the Company thereafter. If this Plan is not reconfirmed or is not presented for reconfirmation at any such annual meeting, this Plan and all outstanding Rights shall terminate and be void.

Flow through expenditures

The Company would be able to continue to incur exploration expenses beyond the deadlines. However it could be subject to a penalty of 4-5% per annum on the balance required to be spent on its exploration work. The Company intends to fulfill its flow-through commitments within the given time constraints. During the year the Company paid \$0.00 (2016-\$8,841) in Part XII.6 interest.

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19 CONTINGENCIES

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.

20 EVENTS AFTER REPORTING PERIOD

On August 23, 2017 the Company completed a non-brokered private placement, by issuing of 49,920 flow through units of the Company at \$0.26 per unit for total gross proceeds of \$12,979. Each flow through unit is comprised of one common shares and one common share purchase warrant. Each warrant is exercisable into common share at an exercise price of \$0.29 for a period of 24 months after closing. There is a hold period expiring December 24, 2017.

In addition, on August 23, 2017 the Company completed a non-brokered private placement, by issuing 2,670,000 units of the Company at \$0.20 per Unit. Each unit consists of one common share and one common share warrant exercisable for 36 months at \$0.29. There is a hold period expiring December 24, 2017.

On September 18, 2017 Lomiko Technologies Inc. transferred its remaining 1,278,790 Graphene 3D Lab common shares released from escrow to Graphene ESD Corp. and settled the outstanding loan balance owed to Graphene ESD Corp.

On November 8, 2017, the Company closed the 1st tranche of a private placement, announced October 27, 2017, and issued 2,000,000 units at \$0.14 for gross proceeds of \$280,000. Each unit will be comprised of one common share and one share purchase warrant, with each whole warrant exercisable into one common share at a price of \$0.20 for a period of 2 years from closing. All securities will be subject to a 4-month plus 1 day hold period from the closing. Proceeds of the private placement will be used to complete further drilling at the La Loutre Property.

On November 24, 2017, the Company closed the 2nd tranche and issue 5,330,143 units at \$0.14 for gross proceeds of \$746,220. Each unit will consist one common share and one share purchase warrant, with each whole warrant exercisable into one common share at a price of \$0.20 for a period of two years from closing; and 645,000 units at \$0.16 for gross proceeds of \$103,200. Each unit will be comprised of one flow-through common share and one-half share purchase warrant, with each whole warrant exercisable into one common share at a price of \$0.26 for a period of two years from closing. All securities will be subject to a four-month plus one day hold period from the closing. Proceeds of the private placement will be used to complete further drilling at the La Loutre Property.

21 PRIOR PERIOD ADJUSTMENT

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 comparative figures have been restated to report the increased expenses. The impact on loss per share is negligible.

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22 COMPARATIVES

Certain comparative information has been reclassified to conform to the presentation adopted in the current reporting period.