



**LOMIKO METALS INC.**

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

Second Quarter Ended January 31, 2018

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

	As at January 31, 2018	As at July 31, 2017
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 4)	\$ 230,656	\$ 98,305
Other receivables (Note 5)	82,153	8,493
Due from associates	-	9,004
Prepaid expenses	983,777	23,141
	<u>1,296,586</u>	<u>138,943</u>
<b>Non-current</b>		
Investment in associates ( Note 6)	1,194,120	1,094,476
Investment in equity securities (Note 8)	-	140,667
Exploration and evaluation advances	51,032	243,072
Exploration and evaluation assets (Note 7)	5,573,081	5,229,356
	<u>6,818,233</u>	<u>6,707,571</u>
	\$ 8,114,819	\$ 6,846,514
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 34,201	\$ 213,334
Income taxes payable	8,500	15,700
Demand loan (Note 8)	-	137,335
	<u>42,701</u>	<u>366,369</u>
<b>Other</b>		
Flow through premium liabilities (Note 9)	-	57,693
Deferred tax liability	10,107	10,107
	<u>10,107</u>	<u>67,800</u>
<b>EQUITY</b>		
Share capital (Note 10)	27,142,792	24,885,169
Share subscriptions received	-	157,920
Warrants (Note 10)	163,395	57,987
Share based payment reserve (Note 10)	362,207	362,207
Accumulated other comprehensive income	(10,107)	28,767
Deficit	(19,596,276)	(19,079,705)
	<u>8,062,011</u>	<u>6,412,345</u>
	\$ 8,114,819	\$ 6,846,514

Nature of Operations (Note 1)

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 six and three month period ending January 31,

Unaudited - Expressed in Canadian dollars

	Three Months Ended January 31		Six Months Ended January 31	
	2018	2017	2018	2017
<b>EXPENSES</b>				
Advertising and promotion	\$ 64,952	\$ 39,830	\$ 130,455	\$ 157,758
Consulting	225,845	900	225,845	1,800
Management fees (Note 12)	45,000	45,000	90,000	90,000
Office and miscellaneous	6,808	4,713	12,404	11,758
Professional fees	51,551	68,221	99,805	126,892
Regulatory and filing fees	37,471	40,552	46,330	46,199
Shareholder communications	2,690	69	5,222	8,352
Travel	5,922	5,679	10,530	14,674
	440,239	204,964	620,591	457,433
<b>Other income(loss) from continuing operations</b>				
Interest expense(income)	(141)	362	(145)	723
Abandonment of property (Note 7)	-	135,000	1,200	135,000
Gain on sale of securities	-	(46,358)	(35,897)	(106,361)
Foreign exchange gain	-	-	(2,222)	-
Part XII.6 interest	-	-	1,300	-
Flow-through share premium(Note 9)	(82,112)	(52,634)	(82,112)	(52,634)
Share of associates loss (Note 6)	5,356	-	5,356	10
	(76,897)	36,370	(112,520)	(23,262)
(Loss) from operations for the period	(363,342)	(241,334)	(508,071)	(434,171)
Income tax expense	-	(14,000)	(8,500)	(28,000)
Net loss from continuing operations	(363,342)	(255,334)	(516,571)	(462,171)
<b>Other</b>				
Unrealized (loss) gain on re-measurement of equity investments (Note 8)	-	(110,487)	-	(236,160)
<b>Comprehensive (loss)/income for the period</b>	\$ (363,342)	\$ (365,821)	\$ (516,571)	\$ (698,331)
<b>Basic And Diluted Loss Per Share</b>	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.04)
<b>Basic And Diluted Weighted Average Common Shares</b>	33,732,116	18,667,391	29,044,273	18,562,459

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 and six month period ended January 31,

Unaudited – Expressed in Canadian dollars

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	January 31		January 31	
	2018	2017	2018	2017
<b>Cash flows (used in) operating activities</b>				
Net (loss) from continuing operations	\$ (363,342)	\$ (255,334)	\$ (516,571)	\$ (462,171)
Adjustments				
Equity investment share of loss	5,356	-	5,356	10
Write down of resource property acquisition	-	135,000	1,200	135,000
Foreign currency gain on debt	-	-	(2,222)	-
Loan interest paid through transfer of shares	-	-	2,576	-
Gain on sale of equity investment	-	(46,358)	(35,897)	(106,361)
Flow through share premium	(82,112)	(52,634)	(82,112)	(52,634)
	(440,098)	(219,326)	(627,670)	(486,156)
<b>Changes in non-cash working capital items:</b>				
Other receivables	(44,906)	(13,148)	(73,660)	(15,553)
Advances	9,004	-	9,004	-
Prepaid expenses	(745,456)	19,634	(960,636)	(11,859)
Income taxes payable	(15,700)	14,000	(7,200)	28,000
Accounts payable	(202,264)	131,550	(179,133)	139,877
	(1,439,420)	(67,290)	(1,839,295)	(345,691)
<b>Cash flows from (used in) financing activities</b>				
Flow through shares	103,200	-	153,120	13,170
Issuance of shares for cash	1,470,230	-	1,846,310	127,780
Proceeds from issuance of options	280,000	-	280,000	-
Share issue costs	(41,349)	-	(49,899)	(4,763)
	1,812,081	-	2,229,531	136,187
<b>Cash flows from (used in) investing activities</b>				
Investment in mineral properties	(344,925)	(242,682)	(344,925)	(242,682)
Investment in equity	(75,000)	-	(105,000)	-
Exploration and evaluation advance	241,725	-	192,040	-
Proceeds from sale of investment	-	84,529	-	182,705
Website	-	-	-	(5,568)
License	-	(1,342)	-	(3,359)
	(178,200)	(159,495)	(257,885)	(68,904)
<b>(Decrease) increase in cash and cash equivalents</b>	194,461	(226,785)	132,351	(278,408)
<b>Cash and cash equivalents, beginning of period</b>	36,195	274,408	98,305	326,031
<b>Cash and cash equivalents, end of period</b>	\$ 230,656	\$ 47,623	\$ 230,656	\$ 47,623
<b>Supplemental information:</b>				
Flow through premium liability	\$ -	\$ -	\$ 24,420	\$ -
Demand loan paid by transfer of equity securities	\$ -	\$ -	\$ 137,335	\$ -



**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 – (Note 10)	Amount						
<b>Balance, July 31, 2016</b>	<b>18,159,301</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	-	-	-	-	-	-	(45,637)	(45,637)
<b>Restated, Balance July 31, 2016</b>	<b>18,159,301</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	481,750	192,700	(51,750)	-	-	-	-	140,950
Issuance of flow through shares for cash	26,340	13,170	(13,170)	-	-	-	-	-
Share issue costs	-	(7,397)	-	-	-	-	-	(7,397)
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	-	-	-	-	-	(236,160)	-	(236,160)
Net loss for the period	-	-	-	-	-	-	(462,171)	(462,171)
<b>Restated, Balance January 31, 2017</b>	<b>18,667,391</b>	<b>\$ 24,157,152</b>	<b>-</b>	<b>\$ 175,957</b>	<b>\$ 362,207</b>	<b>\$ 82,224</b>	<b>\$ (18,731,279)</b>	<b>\$ 6,046,261</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	-	-	-	-	-	(53,457)	-	(53,457)
Net loss for the period	-	-	-	-	-	-	(497,563)	(497,563)
<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	13,171,643	2,004,230	(157,920)	-	-	-	-	1,846,310
Issuance of flow through shares for cash	837,000	128,700	-	-	-	-	-	128,700
Options exercised	2,000,000	280,000	-	-	-	-	-	280,000
Share issue costs	-	(49,899)	-	-	-	-	-	(49,899)
Fair value assigned to warrants	-	(105,408)	-	105,408	-	-	-	-
Net loss for the period	-	-	-	-	-	(38,874)	(516,571)	(555,445)
<b>Balance, January 31, 2018</b>	<b>38,218,572</b>	<b>\$ 27,142,792</b>	<b>-</b>	<b>\$ 163,395</b>	<b>\$ 362,207</b>	<b>\$ (10,107)</b>	<b>\$ (19,596,276)</b>	<b>\$ 8,062,011</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 and six months ended January 31, 2018

*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 \$19,596,276 and has reported a net loss from operations of \$516,571 for the period ended January 31, 2018. 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 March 29, 2018.

#### **(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 January 31, 2018

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 six months ended January 31, 2018, 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.

	January 31, 2018	July 31, 2017
Cash and bank balances	\$ 227,656	\$ 95,305
Cash equivalents	<u>3,000</u>	<u>3,000</u>
	<u>\$ 230,656</u>	<u>\$ 98,305</u>



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

Three months ended January 31, 2018

*Unaudited – Expressed in Canadian dollars***5. OTHER RECEIVABLES**

	January 31, 2018	July 31, 2017
Goods and services tax receivable	\$ 36,240	\$ 8,493
Advance to director	15,750	-
Interest receivable	15	-
Due from Cryptocurrency Mining Corporation	<u>30,148</u>	<u>-</u>
	<u>\$ 82,153</u>	<u>\$ 8,493</u>

**6. INVESTMENT IN ASSOCIATES****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.

The following is a summary of the shares held:

	<u>Number of shares held</u>	
July 31, 2016	1,800	\$ 189,893
Share of equity loss		( 485)
Write down		<u>(130,905)</u>
July 31, 2017	1,800	\$ 58,503
Share of equity loss		<u>(551)</u>
January 31, 2018		<u>\$ 57,952</u>

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

On March 15, 2016 the Company issued 1,612,974 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.

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

Three months ended January 31, 2018

*Unaudited – Expressed in Canadian dollars***6. INVESTMENT IN ASSOCIATES – continued**

During March to May 2017 the Company acquired an additional 867,546 common shares, for a deemed value of \$626,633, in exchange for the rights, patents, and website pertaining to the License owned the Company, that was acquired from Megahertz, a company associated with SHD.

On November 21, 2017 the Company acquired an additional 111,111 common shares for \$80,000.

On January 18, 2018, the Company acquired an additional 34,722 common shares for \$25,000.

The Company owns 25.5% (July 31, 2017 – 23.92%) of the total equity of SHD.

The following is a summary of the shares held:

	<u>Number of shares held</u>	
Balance, July 31, 2016	778,890	\$ 564,541
Sale of license for common shares	867,546	624,633
Share of equity loss	-	<u>(153,201)</u>
Balance, July 31, 2017	1,646,436	\$ 1,035,973
Purchase of common shares	145,833	105,000
Share of equity loss	-	<u>(4,805)</u>
Balance, January 31, 2018	<u>1,792,269</u>	<u>\$ 1,136,168</u>

Summary of investment in associates:

	January 31, 2018	July 31, 2017
Graphene ESD Corp	\$ 57,952	\$ 58,503
Smart Home Devices Ltd.	<u>1,136,168</u>	<u>1,035,973</u>
	<u>\$ 1,194,120</u>	<u>\$ 1,094,476</u>

**7. 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)
Acquisition of property	-	-	-	115,036	229,889	-	344,925
Balance, January 31, 2018	\$ 603,168	\$ 724,901	\$ 228,540	\$ 2,884,480	\$ 1,131,992	-	\$ 5,573,081

## **LOMIKO METALS INC.**

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

Three months ended January 31, 2018

*Unaudited – Expressed in Canadian dollars*

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#### **7. 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 180,000 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 125,000 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 300,000 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 (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 - 450,000 issued
- 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 January 31, 2018

Unaudited – Expressed in Canadian dollars

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#### 7. 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 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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#### 8. 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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#### 9. 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 November 17, 2017	Issued August 23, 2017	Issued July 4, 2017	Total
Balance at July 31, 2017	\$ -	\$ -	\$ 57,692	\$ 57,692
Liability incurred on flow-through shares issued	12,900	11,520	-	24,420
Settlement of flow-through share liability on incurring expenditures	(12,900)	(11,520)	(57,692)	(82,112)
Liability incurred on flow-through shares issued	\$ -	\$ -	\$ -	\$ -

During the period the Company was required to pay \$1,300 to Revenue Canada for late filing application for a T100 Identification Number for 2017 flow through shares.

## **LOMIKO METALS INC.**

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

Three months ended January 31, 2018

*Unaudited – Expressed in Canadian dollars*

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## **10. 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.

#### **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

## **LOMIKO METALS INC.**

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

Three months ended January 31, 2018

*Unaudited – Expressed in Canadian dollars*

model. In addition the Company paid commissions of \$5,750 and legal expenses of \$3,750.

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

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*Six month period ended January 31, 2018*

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.

On November 10, 2017, the Company completed a private placement by issuing of 2,000,000 common shares 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 for a period of 24 months. The warrants had a fair value of \$12,760 measured using the Black Scholes valuation model. A finder's fee of \$19,600 was paid as well as legal costs of \$3,711. The securities are subject to a hold period of four month plus a day.

On November 17, 2017 the Company completed a private placement, by issuing of 645,000 flow-through units for gross proceeds of \$103,200. Each unit consists of one flow-through common share and one half 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. The warrants had a fair value of \$1,524 measured using the Black Scholes valuation model. The company recorded a liability on the flow through premium of \$12,900 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. The securities are subject to a hold period of four months plus a day.

In addition, on November 17, 2017, the Company completed a private placement, by issuing of 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. The warrants had a fair value of \$28,157 measured using the Black-Scholes valuation model. The securities are subject to a hold period of four months plus a day.

Legal costs of \$7,250 were incurred for the private placement.

On January 10, 2018, the Company completed a private placement by issuing of 3,171,500 common shares units for gross proceeds of \$444,010. 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 for a period of 12 months. The warrants had a fair value of \$25,490 measured using the Black Scholes valuation model. The securities are subject to a hold period of four months plus a day. A director of the company and a company related to the director participated for 840,000 units.

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

Three months ended January 31, 2018

*Unaudited – Expressed in Canadian dollars***10. SHARE CAPITAL AND RESERVES - continued****b) Share purchase warrants**

A summary of the Company's outstanding share purchase warrants as at January 31, 2018 is as follows:

	Number of Warrants	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>13,686,143</u>	<u>0.29</u>
<b>Balance, January 31, 2018</b>	<b>17,596,174</b>	<b>\$0.32</b>

The following table summarizes information relating to share purchase warrants outstanding and exercisable at January 31, 2018:

Number of Warrants	Exercise Price	Expiry Date
2,670,000	\$0.29	August 23, 2020
1,611,941	\$0.29	July 4, 2020
3,171,500	\$0.20	January 10, 2019
5,652,643	\$0.20	November 19, 2019
2,000,000	\$0.20	November 10, 2019
26,340	\$0.50	March 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
<u>731,750</u>	\$0.50	March 7, 2018
<u>17,596,174</u>		

The weighted average remaining contractual life of the warrants as at January 31, 2018 was 1.53 years (July 31, 2017– 2.08 years).

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

Three months ended January 31, 2018

*Unaudited – Expressed in Canadian dollars***10. SHARE CAPITAL AND RESERVES - continued**

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

	<u>January 31, 2018</u>	<u>July 31, 2017</u>
Risk free interest rate	1.51%	0.81%
Expected life of warrants	1.96 years	2.08years
Annualized stock price volatility	118.6%	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>	\$0.20
<b>Balance, July 31, 2017 and January 31, 2018</b>	<b><u>490,000</u></b>	

On October 30, 2017, the board approved the reduction of the exercise price for issued options from \$1.00 per option to \$0.20 per option.

On November 10, 2017, the Company issued 1,000,000 stock options at a value of \$0.14 per option. The options were fully exercised on November 10, 2017.



## LOMIKO METALS INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended January 31, 2018

Unaudited – Expressed in Canadian dollars

On January 2, 2018, the company issued 1,000,000 stock options to consultants at a value of \$0.14 per option. The options were fully exercised on January 08, 2018.

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#### 10. 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	\$0.20	February 1, 2018
40,000	\$0.20	April 30, 2018
182,500	\$0.20	January 31, 2019
<u>200,000</u>	\$0.20	September 5, 2019
<u>490,000</u>		

The weighted average remaining contractual life of options outstanding at January 31, 2018 was 1.04 years (July 31, 2017 - 1.55 years).

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#### 11. 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.

## LOMIKO METALS INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended January 31, 2018

Unaudited – Expressed in Canadian dollars

#### 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.

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## 11. 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 January 31, 2018 relating to cash of \$ 230,656 (July 31, 2017 - \$98,305) and other receivables of \$82,153 (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 January 31, 2018 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>January 31, 2018</u>			
Trade payables and other liabilities	\$ 34,201	\$ -	\$ 34,201

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

Three months ended January 31, 2018

*Unaudited – Expressed in Canadian dollars*

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**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued**

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**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>January 31, 2018</u>				
Investment in equity	\$ -	\$ -	\$ -	\$ -
Cash and Cash equivalents	\$ 230,656	\$ -	\$ -	\$ 230,656

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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**12. RELATED PARTY TRANSACTIONS**

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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:

	January 31, 2018	January 31, 2017
Fees paid to companies related to directors or to directors	\$ 90,000	\$ 90,000

Included in accounts payable is \$nil (January 31, 2017 - \$47,250) owing to directors or companies related to directors.

Included in accounts receivable is an advance to a director in the amount of \$15,750

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

Three months ended January 31, 2018

*Unaudited – Expressed in Canadian dollars*

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**13. EARNINGS PER SHARE**

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	January 31, 2018	January 31, 2017
Loss attributed to ordinary shareholders	\$ (516,571)	\$ (698,331)
Weighted average number of common shares	29,044,273	18,562,459
Basic and diluted loss per share	\$ (0.02)	\$ (0.04)

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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**14. EVENTS AFTER REPORTING PERIOD**

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On February 23, 2018, the Company settled a legal dispute relating a subscription agreement and alleged ratchet agreement between the Company and the plaintiff, initially disclosed on August 6, 2014.

This settlement did not admit to any fault or wrongdoing to the underlying issue for either party.