LOMIKO METALS INC.

(An exploration stage company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

January 31, 2016
(unaudited)

NOTICE OF NO AUDITOR REVIEW

The unaudited condensed consolidated interim financial statements and accompanying notes thereto, for the periods ended January 31, 2016 and 2015 have not been reviewed by the Company's external auditors.

LOMIKO METALS INC.
(An exploration stage company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited)

		January 31, 2016		July 31, 2015
ASSETS				
Current				
Cash and cash equivalents (Note 3)	$	46,418	$	1,360,931
Other receivables (Note 4)		51,639		58,849
Prepaid expenses (Note 5)		162,975		202,968
		261,032		1,622,748
Non-current				
Investment in associate (Note 6)		190,654		191,678
Investment in equity securities (Note 7)		971,283		2,770,091
License (Note 8 & 19)		474,550		259,893
Website		8,170		8,170
Exploration and evaluation assets (Note 9)		4,726,087		3,719,555
		6,370,744		6,949,387
	$	6,631,776	$	8,572,135
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	261,726	$	189,955
Demand loan – (Note 10)		144,998		-
		406,724		189,955
Other				
Deferred tax liability		118,560		118,560
		525,284		308,515
EQUITY				
Share capital (Note 11)		23,040,559		23,040,559
Warrants (Note 11)		475,238		1,242,413
Share based payment reserve (Note 11)		410,430		410,430
Accumulated other comprehensive income		546,223		2,301,531
Deficit		(18,365,958)		(18,731,313)
		6,106,492		8,263,620
	$	6,631,776	$	8,572,135

Nature of Operations (Note 1)
Going concern (Note 2)
Commitments and contingencies (Note 16 & 17)
Subsequent events (Note 19)

Approved on behalf of the Board:

"Paul Gill"	"Jacqueline Michael"
Paul Gill - President and Chief Executive Officer	Jacqueline Michael - Chief Financial Officer

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

LOMIKO METALS INC.

(An exploration stage company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(unaudited)

	Three Months Ended January 31 2016	Three Months Ended January 31 2015	Six Months Ended January 31 2016	Six Months Ended January 31 2015
Expenses				
Advertising and promotion	$ 32,808	$ 89,147	$ 129,098	$ 254,582
Consulting	(2,400)	28,333	12,000	47,051
Management fees (Note 14)	45,000	45,000	90,000	85,000
Office and miscellaneous	5,323	9,029	9,659	17,236
Professional fees	8,246	21,353	71,461	92,398
Regulatory and filing fees	49,244	34,450	55,206	48,337
Shareholder communications	(10,000)	19,745	29,799	37,783
Share-based compensation	-	76,383	-	152,766
Travel	5,007	6,794	13,221	13,708
	133,228	330,234	410,444	748,861
Other				
Interest income	(3,201)	7,249	1,486	15,993
Gain on sale of securities	8,162	-	8,162	-
Share of associate loss	(564)	-	(1,024)	-
	4,397	7,249	8,624	15,993
(Loss) from operations for the period	$ (128,831)	$ (322,985)	$ (401,820)	$ (732,868)
Flow-through share premium (Note 9)	-	279,520	-	279,520
Unrealized (loss) gain on re-measurement of equity investments (Note 7)	(1,733,158)	(2,945,970)	(1,689,188)	4,398,728
Comprehensive (loss)/income for the period	(1,861,989)	(2,989,435)	(2,091,008)	3,945,380
Basic And Diluted Loss Per Share	$ (0.00)	$ (0.00)	$ (0.00)	**$** (0.01)
Basic And Diluted Weighted Average Common Shares	155,463,267	137,803,167	155,463,267	137,422,732

LOMIKO METALS INC.

(An exploration stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(unaudited)

	Common Shares Without Par Value		Warrants Reserve	Share Based Payment Reserve	Accumulated Other Comprehensive Income	Deficit	Total Equity
	Shares	Amount					
Balance, July 31, 2014	**136,553,167**	**$ 22,377,941**	**$ 842,909**	**$ 408,654**	-	**$ (17,780,477)**	**$ 5,849,027**
Issuance of shares for resource property	1,250,000	87,500	-	-	-	-	87,500
Share based compensation	-	-	-	152,766	-	-	152,766
Options expired	-	-	-	(143,886)	-	143,886	-
Warrants expired	-	-	(22,739)	-	-	22,739	-
Unrealized gain on re-measurement of equity securities	-	-	-	-	4,398,728	-	4,398,728
Comprehensive loss for the period	-	-	-	-	-	(453,348)	(453,348)
Balance January 31, 2015	**137,803,167**	**$ 22.465,441**	**$ 820,170**	**$ 417,534**	**$ 4,398,728**	**$ (18,067,200)**	**$ 10,034,673**
Issuance of shares for resource property	3,000,000	210,000	-	-	-	-	210,000
Issuance of shares for cash	14,660,100	830,995	-	-	-	-	830,995
Share issue costs	-	(43,634)	-	-	-	-	(43,634)
Warrants issued	-	(422,243)	422,243	-	-	-	-
Share based compensation	-	-	-	-	-	-	-
Options cancelled	-	-	-	(7,104)	-	7,104	-
Unrealized (loss) on re-measurement of equity securities	-	-	-	-	(2,097,197)	-	(2,097,197)
Comprehensive loss for the period	-	-	-	-	-	(671,217)	(671,217)
Balance, July 31, 2015	**155,463,267**	**$ 23,040,559**	**$ 1,242,413**	**$ 410,430**	**$ 2,301,531**	**$ (18,731,313)**	**$ 8,263,620**
Warrants expired	-	-	(767,175)	-	-	767,175	-
Unrealized (loss)on re-measurement of equity securities	-	-	-	-	(1,755,308)	-	(1,755,308)
Loss for the period	-	-	-	-	-	(401,820)	(401,820)
Balance, January 31, 2016	**155,463,267**	**$ 23,040,559**	**$ 475,238**	**$ 410,430**	**$ 546,223**	**$ (18,365,958)**	**$ 6,106,492**

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

LOMIKO METALS INC.

(An exploration stage company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(unaudited)

	THREE MONTHS ENDED January 31 2016	2015	SIX MONTHS ENDED January 31 2016	2015
Cash flows (used in) operating activities				
Net (loss) for the period	$ (128,831)	$ (322,985)	$ (401,820)	$ (732,868)
Adjustments				
Associate share of loss	563	-	1,024	-
Gain on sale of equity investment	(8,162)	-	(8,162)	-
Share-based compensation	-	76,383	-	152,766
	(136,430)	(246,602)	(408,958)	(580,102)
Changes in non-cash working capital items:				
Other receivables	15,071	26,342	7,210	(4,884)
Advances	100,000	100,000	-	98,000
Prepaid expenses	17,321	(20,956)	39,993	6,000
Accounts payable	(146,191)	(66,124)	71,771	(29,682)
	(150,229)	(207,340)	(289,984)	(510,668)
Cash flows from financing activities				
Demand loan	144,998	-	144,998	-
	144,998	-	144,998	-
Cash flows from (used in) investing activities				
Investment in mineral properties	(290,684)	(573,369)	(1,006,532)	(654,151)
Investment in equity	-	-	-	(300,000)
Investment in associate	-	(224,075)	-	(224,075)
Proceeds from sale of investment	51,662	-	51,662	-
License	(110,647)	(150,000)	(214,657)	(150,000)
	(349,669)	(947,444)	(1,169,527)	(1,328,226)
(Decrease) in cash and cash equivalents	(354,900)	(1,154,784)	(1,314,513)	(547,338)
Cash, beginning of period	401,318	3,849,373	1,360,931	4,533,483
Cash and cash equivalents, end of period	$ 46,418	$ 2,694,589	$ 46,418	$ 2,694,589
Supplemental information:				
Shares issued for resource property	$ -	$ 87,500	$ -	$ 87,500

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

1 NATURE OF OPERATIONS

Nature of operations

Lomiko Metals Inc. (the "Company" or "Lomiko") is engaged in the acquisition, exploration and development of resource properties. 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.

2 BASIS OF PREPARATION, GOING CONCERN AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These condensed consolidated interim financial statements for the six months ended January 31, 2016, have been prepared in accordance with IAS 34 *Interim Financial Reporting.* They do not include all of the information and disclosures required in full annual financial statements and should be read in conjunction with the Company's annual financial statements as at July 31, 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These condensed consolidated interim financial statements are presented in Canadian dollars which is the company's functional currency. These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on March 18, 2016.

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 incurred a net loss of $401,820 before other comprehensive loss items totaling $1,689,188 during the period ended January 31, 2016 and has a cash balance of $46,418 as at January 31, 2016. The Company has no source of operating cash flows, has not yet achieved profitable operations, has accumulated losses to January 31, 2016 of $18,365,958 since its inception and expects to incur further losses in the development of its business.

The Company's ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent on the continued support of the creditors and the shareholders. In the past the Company has relied on sales of equity securities to meet its cash requirements. There can be no assurance that funding from this or other sources will be sufficient in the future to continue and develop its mineral properties and provide additional funding for the Megahertz Power Systems Inc. licensing agreement dated February 10, 2015 and the Canada Strategic Metals Inc. agreement dated February 23, 2015. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going

2 BASIS OF PREPARATION, GOING CONCERN AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, consistent with the Company's significant accounting policies.

Significant accounting policies

The significant accounting policies that have been applied, on a consistent basis, in the preparation of these condensed consolidated interim financial statements are included in the Company's audited consolidated financial statements for the year ended July 31, 2015. Those accounting policies have been used throughout all periods presented in the condensed consolidated interim financial statements.

Significant accounting judgments and estimates

The preparation of consolidated interim financial statements in accordance with IFRS requires 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 condensed consolidated interim financial statements are discussed below.

Judgments
<u>Exploration and evaluation assets</u>: 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 9.

<u>Title to Mineral Property Interests:</u> 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.

2 BASIS OF PREPARATION, GOING CONCERN AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these condensed consolidated interim financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the Company'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 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 interim financial statements.

IFRS 15 – Revenue from Contracts with Customers: The IASB issued IFRS 15 in May 2014. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with early adoption permitted. Management is currently evaluating the impact the final standard is expected to have on the Company's consolidated interim financial statements; however, as the Company currently has no operating revenues, this is not anticipated to be significant.

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 Company's consolidated interim financial statements.

3 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.

	January 31, 2016	July 31, 2015
Cash and bank balances	$ 43,418	$ 157,931
Cash equivalents	3,000	1,203,000
	$ 46,418	$ 1,360,931

4 OTHER RECEIVABLES

	January 31, 2016	July 31, 2015
Goods and services tax receivable	$ 51,631	$ 54,538
Accrued interest receivable	8	4,311
	$ 51,639	$ 58,849

5 PREPAID EXPENSES

Included in prepaid expenses are expenditures paid to organize Lomiko Technologies SpA Chile in the amount of $51,093. Lomiko Technologies SpA Chile was incorporated on June 30, 2015. The Company has no ownership in this company. The Company plans on acquiring a 40% interest.

6 INVESTMENT IN ASSOCIATE

GRAPHENE ESD CORP.

On December 3, 2014, the Company signed a preferred stock subscription agreement with Graphene ESD Corp. ("Graphene"). Under the agreement the Company subscribed to purchase 1,800 shares of Graphene's 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

6 INVESTMENT IN ASSOCIATE - continued

A Preferred Stock held by the Company shall be convertible, at the option of the Company, at any time and from time to time after May 6, 2015, and without the payment of additional consideration by the Company, by dividing the Series A Original Issue Price by the Series A Conversion Price in effect at the time of the conversion. The Series A Conversion Price shall initially be equal to $101.27 US. The Series A Conversion Price and the rate at which shares of Series A Preferred Stock may be converted into shares of Graphene Common Stock, will be subject to adjustment in the event of a subdivision of Graphene's outstanding Common Stock or if Graphene makes or issues a dividend or other distribution payable on the Common Stock in additional shares of Common Stock.

Graphene ESD Corp. a Delaware company incorporated November 5, 2014 is a private US company that was formed to commercialize Graphene Super capacitors. Payment for the subscription was made on December 12, 2014. On matters presented to the stockholders of Graphene, the Company's holdings of Series A Preferred Stock will entitle the Company to cast the number of votes equal to the number of whole shares of Common Stock of Graphene resulting from a conversion. As a holder of Series A Preferred Stock, the Company will vote together with the holders of Common Stock of Graphene as a single class. On February 23, 2015, Paul Gill, President of Lomiko was appointed as a board member of Graphene.

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.

	Number of shares held	Balance
July 31, 2014		
Acquisition of preferred shares	1,800	$ 213,251
Costs related to acquisition	-	10,824
Share of equity loss for the year ended July 31, 2015	-	(32,397)
July 31, 2015	1,800	$ 191,678
Share of equity loss from August 1, 2015 to January 31, 2016		(1,024)
January 31, 2016	1,800	$ 190,654

7 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 Matnic 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:

5%	August 8, 2014
5%	February 8, 2015
10%	August 8, 2015
10%	18 months thereafter
15%	24 months thereafter
15%	30 months thereafter
40%	36 months thereafter

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

The following table summarizes the Company's Holdings in 3D Labs Inc.:

	Percentage of voting shares owned	Cost	Fair Value
July 31, 2015			
Graphene 3D Labs Inc.	10.13%	$ 350,000	$ 2,770,091
January 31, 2016			
Graphene 3D Labs Inc.	8.55%	$306,500	$ 971,283

On January 8, 2016, the Company sold 174,000 shares for net proceeds of $51,662.

The common shares are classified as Level 1 in the fair value hierarchy (see note 12) 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.

8 LICENSE

MEGAHERTZ POWER SYSTEMS INC.

On October 20, 2014, the Company, through its wholly owned subsidiary Lomiko Technologies, Inc., signed a letter agreement with Megahertz Power Systems (Megahertz) to:

- license from Megahertz, non-exclusive rights to manufacture and sell three power supply products for the Canadian and United States markets;
- acquire a pending supply contract with a Canadian LED system integrator;
- finance to the amount of $250,000, the business set-up costs of the Company's manufacture and sales of the licensed power products;
- finance the future manufacture and sales of the licensed power products;

Under the terms of the letter agreement, Megahertz agreed to assign and transfer a pending revenue-generating customer contract to the Company upon the Company advancing the sum of $250,000 as start-up funds as follows:

- A non-refundable deposit of $25,000 upon signing of the letter agreement (paid November 1, 2014)
- $125,000 within 30 days of signing the letter agreement (paid December 1, 2014)
- $100,000 within 60 days of signing the letter agreement (paid February 18, 2015)

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

The Company is required to pay Megahertz a 7.5 - 15% royalty on the Company's net sales of the licensed power supply products.

On February 10, 2015 the Company executed a non-exclusive license agreement with Megahertz Power Systems Ltd. ("Megahertz") for the production and sale of three licensed power supply products 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, outlining the terms and conditions for each product. Each SOW specifies the roles and responsibilities of each party with respect to development, sales, marketing and distribution of each product to the targeted customers. Megahertz will provide project management services to the Company for each SOW. Such services will include supporting the Company's manufacturing, distribution, sales and marketing of the licensed products. For each SOW, the initial monthly advance payment for project management services has been estimated at $7,000. Project management fees will be based on estimated costs for each quarter for each licensed product and will be payable in advance.

On January 29, 2016 the terms of each "SOW" were amended to eliminate project management fees for the period January 31, 2016 to December 31, 2016.

Subsequently, on February 12, 2016, a letter of intent was signed between Smart

8 LICENSE - continued

Home Devices ("SHD") and the Company, amending the terms of the licensing agreement and transferring copyrights and jointly developed products to "SHD". See Note 19.

The costs associated with the license are as follows:

Initial payments	$ 250,000
Legal fees	9,893
July 31, 2015	$ 259,893
Project Management fees	126,000
Parts, supplies and tooling	85,143
Trademark	3,393
Kick starter Campaign	121
January 31, 2016	$ 474,550

9 EXPLORATION AND EVALUATION ASSETS

The following table shows the exploration and evaluation assets:

	Vines Lake	Quatre-Mille	Quatre-Mille West	La Loutre Crystaline	Lac des Isles	Total
Balance, July 31, 2014	$ 597,525	$ 640,841	$ 194,080	$ -	$ -	$ 1,432,446
Exploration costs	-	70,465	30,881	540,305	-	641,651
Acquisition of property		-	-	100,000	-	100,000
Less: Quebec tax credits	-	-	-	-	-	-
Balance, January 31, 2015	$ 597,525	$ 711,306	$ 224,961	$ 640,305	$ -	$ 2,174,097
Exploration costs	-	8,555	-	439,662	162,140	610,357
Acquisition of property	-	-	-	311,701	623,400	935,101
Balance, July 31, 2015	$ 597,525	$ 719,861	$ 224,961	$ 1,391,668	$ 785,540	$ 3,719,555
Exploration costs	-	1,216	-	971,753	33,563	1,006,532
Acquisition of property	-	-	-	-	-	-
Balance, January 31, 2016	$ 597,525	$ 721,077	$ 224,961	$ 2,363,421	$ 819,103	$ 4,726,087

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-Mille – 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-Mille 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 1,800,000 shares at $0.10 per share (issued)

La Loutre Crystalline and Lac de Isles – Quebec
On September 23, 2014 the Company obtained an option to purchase a 40% interest in the La Loutre Crystalline Flake Graphite Property located in Quebec.

The terms of the option to purchase agreement are as follows:
- Pay to the Optionor $12,500 in cash (paid)
- Issue 1,250,000 shares at a deemed price of $0.07 per share (issued)
- Incur or fund Exploration Expenditures aggregating not less than $500,000 on and exploration program not later than the first anniversary of the effective date of the agreement (completed).

9 EXPLORATION AND EVALUATION ASSETS - continued

Included in the Exploration Expenditures, will be a management fee payable to Canada Strategic Metals Inc. (the "Operator") equal to 10% of expenditures incurred. For contracts having a value greater than $50,000, the management fee will be reduced to 5% of exploration costs incurred. In a management fees of 1% of construction costs and 2 % of mining operating costs.

On February 23, 2015 the Company signed an agreement with Canada Strategic Metals Inc. to acquire an additional 40% interest in the La Loutre property and an 80% interest in the Lac Des Iles property. Both properties are located in Southern Quebec. The terms of the acquisition, are as follows:

- Payment of $10,000 cash on signing (paid)
- Issuance of 3,000,000 common shares at a deemed price of $.07 per share, within five days of regulatory approval. The shares will have a hold period of 4 months and 1 day from the date of issue. However Canada Strategic Metals Inc. has agreed to a voluntary 10 month hold period on 1,500,000 common shares (issued)
- Fund $2,750,000 of exploration expenditures under the following terms:
  - $950,000 no later than December 31, 2015, on the La Loutre property ($905,907 paid)
  - $700,000 no later than December 31, 2015, on other mining rights of Canada Strategic Metals Inc. (paid in full)
  - $150,000 no later than December 31, 2015, on the Lac Des Iles property (paid)
  - $550,000 no later than December 31, 2016, on the La Loutre property
  - $300,000 no later than December 31, 2016, on other mining rights of Canada Strategic Metals Inc.
  - $100,000 no later than December 31, 2016, on the Lac Des Iles property
- 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 (.5% "NSR") can be repurchased by the Company for $500,000.

10 DEMAND LOAN

On November 5, 2015, the Company received a US $110,000 loan from Graphene ESD Corp., a company in which the Company has a 40% ownership interest. The loan bears interest at the rate of 1% per annum and is payable on demand, but not on or before May 6, 2016. The Company will use the proceeds for general working capital and to fund the manufacturing and marketing of the and marketing of the Spider USB Charger and LED

10 DEMAND LOAN - continued

Driver electronic products, both of which are licensed from Megahertz Power Systems disclosed in Note 8.

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, 2015

On September 25, 2014 the Company issued 1,250,000 common shares at $0.07 in accordance with an agreement to acquire a 40% interest in the La Loutre Crystalline property.

On March 24, 2015 the Company, completed a non-brokered private placement, consisting of the issue and sale of 9,799,000 common share units of the Company at a price of $.06 per common share unit for gross proceeds of $587,900. Each common share unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.125 per share for a period of 18 months after the closing of the offering. The warrants had a fair value of $273,108, measured using the Black-Scholes valuation model. A finder's fee of $24,000 and legal fees of $3,950 were paid. Additionally, 350,000 broker common share units were offered, at a price of $0.06 per unit, but have not yet been executed. The expiry date for the units offer is August 20, 2016. .

On April, 13 2015 the Company, completed a non-brokered private placement, consisting of the issue and sale of 4,861,100 common share units of the Company at a price of $.05 per common share unit for gross proceeds of $243,055. Each common share unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.08 per share for a period of 2 years after the closing of the offering. A finder's fee of $13,434 and legal fees of $2,250 were paid. In addition, 230,466 broker warrants were issued. The warrants had a fair value of $149,135, measured using the Black-Scholes valuation model.

On April 15, 2015 the Company issued 3,000,000 common shares at $0.07 in accordance with an agreement to acquire a further 40% interest in the La Loutre Crystalline property and an 80% interest in the Las des Iles property.

11 SHARE CAPITAL AND RESERVES - continued

Six month period ended January 31, 2016

No shares were issued during the six month period ended January 31, 2016.

b) Share purchase warrants

A summary of the Company's outstanding share purchase warrants at January 31, 2016 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2014	30,498,202	$ 0.16
Issued for financing	9,799,000	$ 0.11
Issued for financing	5,091,566	$ 0.08
Expired	(1,667,000)	$ 0.10
Balance, July 31, 2015	43,721,768	$ 0.15
Expired	(28,831,202)	(0.13)
Balance, January 31, 2016	14,890,566	$ 0.11

The following table summarizes information relating to share purchase warrants outstanding and exercisable at January 31, 2016.

Number of Warrants	Exercise Price	Expiry Date
9,799,000	$0.125	September 24, 2016
5,091,566	$0.08	April 15, 2017
14,890,566		

The weighted average remaining contractual life of the warrants as at January 31, 2016 was .84 years (2015 – .62 years).

During the six month period ended January 31, 2016, no additional warrants were issued.

(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

11 SHARE CAPITAL AND RESERVES - continued

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	Weighted Average Exercise Price
Balance, July 31, 2014	5,525,000	0.11
Issued for services	2,000,000	0.10
Cancelled	100,000	0.10
Expired	(1,750,000)	0.11
Balance, July 31, 2015 and January 31, 2016	5,675,000	$ 0.10

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

	January 31, 2016	January 31, 2015
Risk free interest rate	-	1.58%
Expected life of options	-	5 years
Annualized stock price volatility	-	148.3%
Expected dividend yield	-	0%

11 SHARE CAPITAL AND RESERVES - continued

The following table summarizes the stock options outstanding and exercisable as at July 31, 2015 and January 31, 2016:

Number of options outstanding	Exercise price	Expiry date
425,000	$0.10	February 8, 2016
350,000	$0.10	August 8, 2016
675,000	$0.10	February 1, 2018
400,000	$0.10	April 30, 2018
1,825,000	$0.10	January 31, 2019
2,000,000	$0.10	September 5, 2019
5,675,000		

On September 5, 2014 the Company granted 2,000,000 stock options to directors and consultants with a total fair value of $152,766 or $0.08 per option.

No options were granted during the six month period ended January 31, 2016.

The weighted average remaining contractual life of options outstanding at January 31, 2016 is 2.66 years (2015 - 3.61).

12 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, polices 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

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

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.

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, 2016 relating to cash of $46,416 and other receivables of $51,639. 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.

12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

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 at July 31, 2015 and January 31, 2016

	Less than 3months	3 – 12 months	Total
July 31, 2015			
Trade payables and other liabilities	$ 189,955	$ -	$ 189,955
January 31, 2016			
Trade payable and other liabilities	$ 261,726		$ 261,726
Demand Loan		$ 144,998	$ 144,998

d) Fair value of financial instruments

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
July 31, 2015				
Investment in equity	$ 2,770,091	$ -	$ -	$ 2,770,091
Cash and Cash equivalents	$ 1,360.931	$ -	$ -	$ 1,360,931
January 31, 2016				
Investment in equity	$ 971,283			$ 971,283
Cash and cash equivalents	$ 46,418			$ 46,418

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)

13 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 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
c. maintain a capital structure which optimizes the cost of capital at 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 Group 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.

14 MANAGEMENT REMUNERATION

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and executive and non- executive directors. Key management personnel compensation comprised:

		January 31, 2016		January 31, 2015
Management fees paid to companies related to directors	$	90,000	$	85,000
Share-based compensation		-		76,383
	$	90,000	$	161,383

15 RELATED PARTY TRANSACTIONS

During the period, directors were awarded 0 (2015 - 2,000,000 options) exercisable at 0 (2014 - $0.10) per share for a period of 0 years (2014 - 5 years). The value of the share based compensation attributed to directors was $0 (2014 – $53,467).

Included in consulting fees are $12,000 (2015 - $10,000) paid to two directors, for board advisory services.

Included in accounts payable is $22,385 (2015 - $10,008 owing to directors.

Included in accounts receivable is $0 (2015 - $2,000) for an advance to a director for consulting services.

16 SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has one reporting segment, being that of acquisition and exploration activities.

17 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 30, 2014.

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 2017 and at every third

17 COMMITMENTS -continued

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.

Right to acquire shares

Included in the finder's fee associated with the March 24, 2015 private placement is an option to purchase 350,000 common shares units at a price of $0.06 per unit. Each unit entitles the holder to purchase one additional common share of the Company at a price of $0.125 per share. This right expires on August 20, 2016.

18 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 3,333,333 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.

19 SUBSEQUENT EVENT

On March 3, 2016 the Company announced the acquisition of 778,890 shares of Smart Home Devices Ltd ("SHD"), a private company incorporated under the laws of British Columbia. SHD was formed with engineering partner, Megahertz Power Systems Ltd., which Company through its wholly owned subsidiary Lomiko Technologies, Inc., had previously acquired a license. The acquisition represents an 11.478% ownership of SHD. In consideration for the shares, the Company issued 16,129,743 common shares from treasury at $0.035 per share for a deemed value of $564,541. The shares issued are subject to a hold period which expires July 4, 2016.

19 SUBSEQUENT EVENT - continued

Pursuant to the terms of the agreement, the Company will no longer be the exclusive North American licensee for the power supply products licensed by Megahertz Power Systems Ltd. The Company. will contribute trademarks and a jointly developed product as part of this transaction. SHD Smart Home Devices Ltd. will sell the devices in North American markets.