

Fundamental Research Corp.

Investment Analysis for Intelligent Investors

March 11, 2016

Lomiko Metals Inc. (TSXV: LMR / OTC: LMRMF) – New Resource Estimate / Significant Progress on Other Initiatives

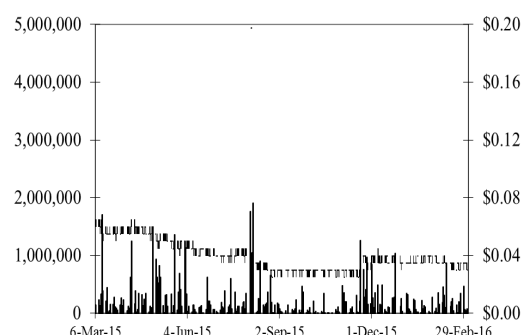
Sector/Industry: Graphite / Graphene

www.lomiko.com

Market Data (as of March 11, 2016)

Current Price	C\$0.035
Fair Value	C\$0.15
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.03 - C\$0.07
Shares O/S	171,593,010
Market Cap	C\$6.01 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.8x
YoY Return	-41.7%
YoY TSXV	-14.2%

*see back of report for rating and risk definitions



Highlights

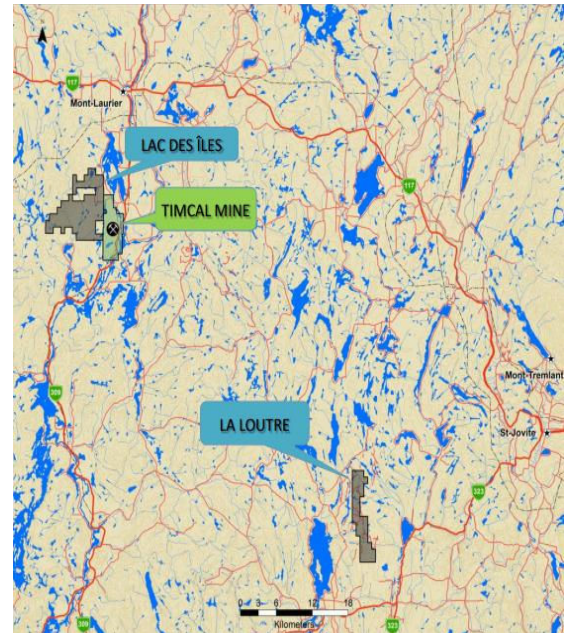
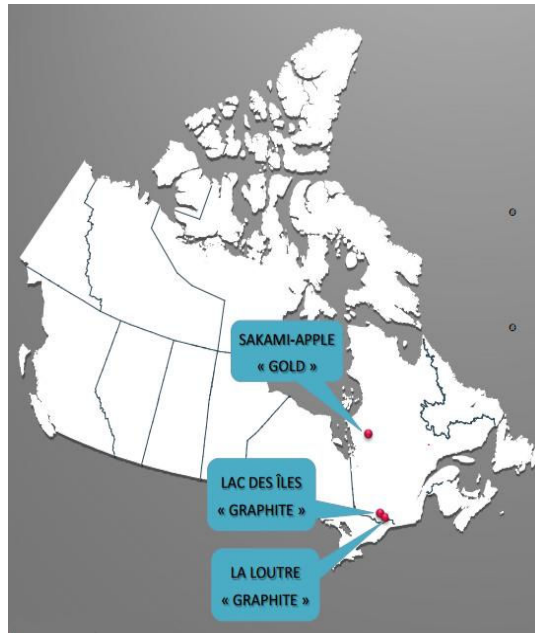
- On February 9, 2016, Lomiko and Canada Strategic Metals announced a NI 43-101 compliant resource estimate on their La Loutre flake graphite property in Quebec of 18.4 Mt at 3.19% indicated and 16.7 Mt at 3.75% inferred, with a cut-off grade of 1.5%. Of note is that there is 4.14 Mt grading 6.50% indicated, and 6.19 Mt at 6.11% inferred at a 3.0% cut-off. The project is now being advanced to a Preliminary Economic Assessment ("PEA"), which will include further drilling to confirm a resource in the refractory zone.
- LMR's wholly owned subsidiary, Lomiko Technologies, holds all of the technology investments made outside of the mineral exploration business. The technology division separates LMR from comparable junior resource companies focused on graphite, and gives the company a competitive advantage due to the near-term cash flow potential of its investments.
- Lomiko's investment in Graphene 3D Lab Inc. (TSXV: GGG) is up by 276% and has been very attractive so far. GGG is currently pursuing multiple initiatives focused on developing and manufacturing graphene based materials for 3D printing. GGG offers over 100 graphene and related products to over 10,000 customers worldwide, generating over approximately \$1 million in annual revenues. They recently signed a R&D royalty transaction agreement with a Fortune 500 company.
- On March 3, 2016, Lomiko announced it has made a \$0.65 million investment (by issuing 16.13 million LMR shares @ \$0.04 per share) in SHD Smart Home Devices Ltd. ("SHD"), a newly formed company by Burnaby, BC based Megahertz Power Systems Ltd ("Megahertz", "MHPS"). In addition, LMR has a non-exclusive license to market and sell a suite of MHPS's products in North America. Sales are expected to commence in August, 2016.
- Graphene Energy Storage Devices ("Graphene ESD"), in which LMR had invested US\$182,286 in 2014, has partnered with the Research Foundation of Stony Brook University ("SBU") to develop new supercapacitors designs for energy storage.
- We are assigning a fair value estimate of \$0.11 per share, with a BUY rating, on LMR's shares. We did not have a rating previously.

Key Financial Data (FYE - July 31)

(C \$)	2015	Q1-2016
Cash	1,360,931	401,318
Working Capital	1,314,233	121,849
Investments	2,961,769	3,005,278
Mineral Assets	3,719,555	4,435,404
Total Assets	8,572,135	8,561,078
Net Income (Loss)	(1,176,967)	(229,017)

**La Loutre
Crystalline
Flake Graphite
Project**

In September 2014, LMR announced it has optioned a 40% interest in the La Loutre crystalline flake graphite property located in Quebec from Canada Strategic Metals (TSXV: CJC). As per the agreement, LMR was to attain a 40% interest in the project by issuing 1.25 million shares (worth \$87,500 @ \$0.07 per share - already issued), and paying \$12,500 in cash (paid) to CJC, and by spending \$0.50 million in exploration within a year (completed). CJC is a junior exploration company with a gold project and two graphite projects in Quebec (see map below).



Source: CJC

Subsequently, in April 2015, the company **expanded their agreement with CJC to acquire an additional 40% interest in La Loutre, and an 80% interest in the Lac des Îles property**, for a payment of \$1.01 million cash, 3 million common shares (issued) and by spending \$2.75 million in exploration expenditures over a two-year period (\$2.08 million funded to date). CJC is the operator of both properties.

Since our previous report, the companies have made significant progress at La Loutre. The property is located 53 km east of Imerys Graphite and Carbon's (formerly Timcal) graphite mine, and 117 km northwest of Montreal. The property consists of one large contiguous block of 42 mineral claims covering 2,867 hectares. The site is easily accessible year round through paved roads.

La Loutre was originally explored for base and precious metals. Recent work on the property has shown indications to hold a large tonnage graphite deposit near surface with average grades of 5% to 6%. Showings indicate a strike length of 5km.

In October 2014, CJC and LMR commenced a drill program on the property with the goal of identifying high-grade, near-surface mineralization. 25 holes totaling 3,137 metres were

drilled. Highlights include an intercept of 4.72% graphite over 128.35m (including 8.42 % graphite over 26.40m), and 2.74% over 98.70m.

Subsequently, in the second half of 2015, a 7,462 m, 55 hole drill program was completed. The focus of the program was on vertical depth of less than 150 meters to target resources conducive to an open pit operation.

The following key results were announced:

- 500m long high grade zone with multiple intercepts over 10%; 90.75m of 9%
- 15.30m of 10.54% and 117.75m of 4.05% flake graphite.
- 112m of 2.73% and 103.35m of 2.83% flake graphite
- 37.40m of 4.41% (including 10.25m of 5.62%) and 48.05m of 3.12% (including 8.90m of 6.13%) flake graphite
- 21.55m of 11.56%, 57.95m of 3.36% (including 6.10m of 13.66%) and 28.75m at 4.44% flake graphite
- 28.50m of 16.53%, 30.95m of 8.18%, and 46.25m of 5.43%

On February 9, 2016, a NI 43-101 compliant resource estimate on the property was announced, which stated 18.4 Mt at 3.19% indicated, and 16.7 Mt at 3.75% inferred, with a cut-off grade of 1.5%. The resource was calculated by InnovExplo. The resource was 4.1 Mt at 6.5% indicated, and 6.2 Mt at 6.1% inferred, with a cut-off grade of 3%. The following table shows the resource estimate at various cut-offs.

Indicated Resource				
Zone	Cut-off Cg (%)	Tonnage (metric tonne)	Grade Cg (%)	Graphite (metric tonne)
All Zones	> 3.0	4,137,300	6.50	268,800
	> 2.5	6,927,500	4.95	342,900
	> 2.0	15,181,200	3.49	529,200
	> 1.5	18,438,700	3.19	588,400
	> 1.0	19,005,400	3.13	595,700
	> 0.8	19,137,500	3.12	596,900
	> 0.6	19,279,600	3.09	595,300
	> 0.5	19,381,900	3.09	598,400

Inferred Resource				
Zone	Cut-off Cg (%)	Tonnage (metric tonne)	Grade Cg (%)	Graphite (metric tonne)
All Zones	> 3.0	6,181,000	6.11	377,600
	> 2.5	9,699,200	4.86	471,800
	> 2.0	15,332,000	3.92	600,300
	> 1.5	16,675,100	3.75	624,900
	> 1.0	16,927,300	3.71	628,000
	> 0.8	17,120,500	3.68	629,700
	> 0.6	17,306,700	3.63	628,100
	> 0.5	17,400,900	3.63	631,600

Whittle parameters used (all amounts in Canadian dollars): Reference Mining cost=\$3.75, milling cost=\$9.40/t, G&A=\$2.11/t, graphite price=\$1,910/t, milling recovery=95%, wall slopes of 45 degrees in rock and 18 degrees in overburden

The resource estimate, which is constrained in a pit shell of 1,100m x 350m x 100m, is conservative as it only accounts for the Graphene-Battery Zone. Three zones have been identified to date on the property, namely the Graphene, Battery and Refractory zones.

The following table shows the resource estimate, grade and the distribution of large flake of La Loutre compared to its peers.

Company	Location	Stage	In-Situ Graphite		Grade	% Large Flake (+80 mesh)
			M&I (Mt)	Inferred (Mt)		
Zenyatta Ventures	Ontario	PEA	0.98	0.44	3.40%	n/a
Focus Graphite	Quebec	Feasibility	1.41	0.41	14.60%	34%
Mason Graphite	Quebec	Feasibility	11.29	3.04	17.20%	29%
Energizer Resources	Madagascar	PEA	6.29	2.37	6.13%	48%
Northern Graphite	Ontario	Feasibility	1.21	0.40	1.70%	77%
Graphite One	Alaska	Resource	1.13	8.76	5.74%	59% - 94%
Flinders Resources	Sweden	Production	0.82	0.16	9.29%	40%
Alabama Graphite	US	PEA	1.49	1.71	2.48%	n/a
Lomiko Metals and CJC	Quebec	Resource	0.59	0.63	3.46%	n/a
Average			2.80	1.81	6.8%	

We are pleased with La Loutre's initial resource estimate in terms of both tonnage and grade. CJC and LMR expect to complete a PEA on the property by July 2016. The following are management's key plans on this project for the next six months:

- Metallurgy - May 2016
- Graphite Characterization - June 2016
- PEA - July 2016
- Drilling in the refractory zone - August 2016

*Investment in
Smart Home
Devices Ltd. –
focus on IoT*

On February 16, 2016, the company announced it signed a Letter of Intent ("LOI") with Burnaby, BC based Megahertz Power Systems Ltd. to launch a new company, SHD Smart Home Devices Ltd., focused on Internet of Things ("IOT") devices. Subsequently, on March 3, 2016, LMR announced it has completed the acquisition of 778,890 shares of SHD (11.5% of SHD's total outstanding shares) in exchange for 16,129,743 common shares of Lomiko valued at \$0.65 million @ \$0.04 per share.

IoT is a network of equipment, vehicles, buildings, etc. which basically enables the collection and exchange of data. **"Smart" objects are gaining significant popularity due to their ability to improve productivity and lower costs of businesses.**

According to Gartner, Inc., approximately 6.4 billion connected things will be in use worldwide in 2016 (up 30% YOY), rising to 20.8 billion by 2020. The following table shows Gartner's forecasts:

Table 1: Internet of Things Units Installed Base by Category (Millions of Units)

Category	2014	2015	2016	2020
Consumer	2,277	3,023	4,024	13,509
Business: Cross-Industry	632	815	1,092	4,408
Business: Vertical-Specific	898	1,065	1,276	2,880
Grand Total	3,807	4,902	6,392	20,797

Source: Gartner (November 2015)

In terms of hardware spending, consumer applications will amount to \$546 billion in 2016, while the use of connected things in the enterprise will drive \$868 billion in 2016 (see Table 2).

Table 2: Internet of Things Endpoint Spending by Category (Billions of Dollars)

Category	2014	2015	2016	2020
Consumer	257	416	546	1,534
Business: Cross-Industry	115	155	201	566
Business: Vertical-Specific	567	612	667	911
Grand Total	939	1,183	1,414	3,010

Source: Gartner (November 2015)

- *Cross - Industry implies devices used in multiple industries*
- *Vertical – Specific implies devices used in specific industries*

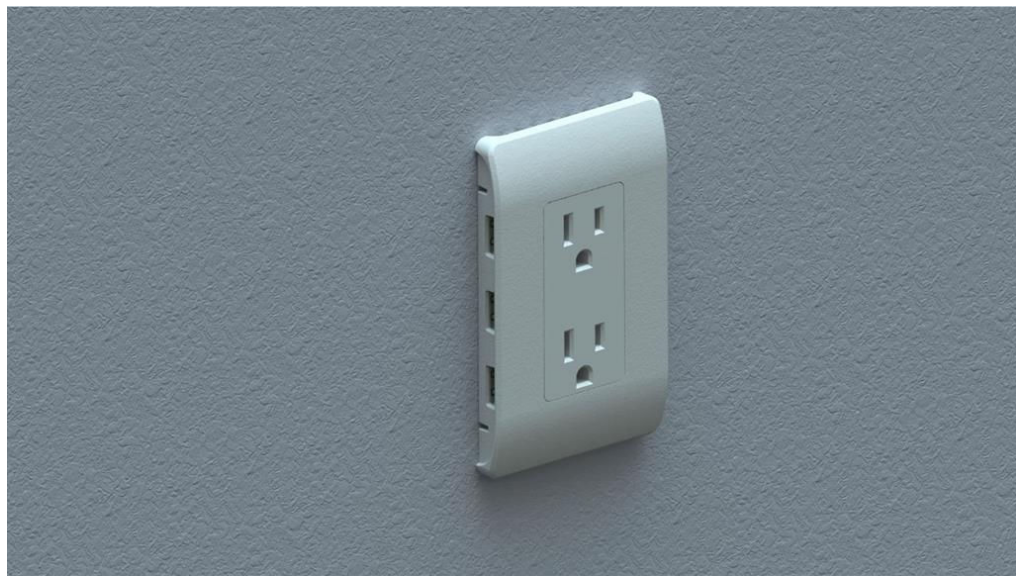
Gartner expects manufacturing, utilities and transportation to be the top three sectors to utilize IoT. According to International Data Corporation (“IDC”), worldwide spending on IoT will grow at a 17% CAGR from US\$699 billion in 2015, to approximately US\$1.3 trillion by 2019.

The IoT / smart technologies & products space has seen significant investments by majors.

- **In 2014, Google Inc. (Nasdaq: GOOG) acquired Nest Labs for US\$3.2 billion.** Nest Labs manufactures smart home appliances, such as thermostats and smoke detectors.
- In November 2015, Direct Energy, one of North America’s largest energy and energy-related services companies, **acquired Panoramic Power for \$60 million.** Panoramic Power is a provider of device level energy management solutions, enabling businesses to optimize their energy consumption.
- In 2015, Duke Energy (NYSE: DUK), North America’s largest electric utility, acquired a majority share of Phoenix Energy Technologies for an undisclosed amount. Phoenix Energy is a provider of energy management systems and services for commercial customers.
- In 2014, energy firm **GDF Suez acquired** energy efficiency and utility consulting firm Ecova, based out of Spokane, U.S. Subsequently, in 2015, **Ecova acquired Retroficiency**, for an undisclosed sum. Retroficiency is a provider of building energy data analytics software for the power utility sector.

Megahertz is a private company focused on providing consulting / design services on power supply solutions to its clients. They have also developed their own proprietary power supply solutions. LMR and Megahertz had entered into a preliminary agreement in October 2014. In addition to the equity ownership in SHD, LMR received a non-exclusive license to market and sell SHD's products in North America. SHD's current product portfolio includes **(#1) Spider Chargers:** an in-wall AC receptacle with USB ports for recharging laptops, smartphones and tablets (these are basically electric outlet plugs with USB ports), **(#2) two types of LED driver products:** LED drivers are primarily used to regulate the electric current to LED lights, and are highly useful for energy savings.

The following is an image of a Spider Charger. It has six USB ports and two standard receptacles, allowing up to eight devices to be charged from a single outlet.



Source: Company

The Spider Charger is a significant improvement over conventional bulky power bars. The following points highlight its key advantages:

- can charge up to eight devices, six with USB connections and two with standard plugs.
- works with any type of cellphone, computer, camera or other electronic device.
- energy efficient and has a sleek design; the two conventional wall receptacles remain unobstructed when using the USB ports. These features make the Spider Charger a good alternative for builders and developers to achieve Energy Star and other environmental ratings.

SHD has filed two patents for the Spider Charger in Canada, and intend to follow up with US patent applications. The initial target market for the USB chargers are residential and commercial developers, schools, airports, train and bus terminals, office buildings,

restaurants, public places like coffee shops, etc.

Lomiko has commenced a 250-unit production run under the licensing agreement for the Spider Chargers based on initial interest, to showcase the device to distributors and potential users. Manufacturers based in India, Canada and China are now being evaluated by management.

Details on the unit pricing, potential demand for the units, and cost of operations are yet to be disclosed. However, the major highlight of the agreement, we believe, is that **LMR can potentially start generating revenues in the next 4 months.**

Graphene 3D Lab

Lomiko owns 4 million shares of Graphene 3D Lab Inc., or approximately 8% of the total outstanding shares. **At \$0.30 per share, LMR's interest in GGG is worth \$1.2 million, or \$0.01 per LMR share. LMR's investment was just \$0.35 million.** In December 2015, GGG closed a \$1.08 million financing.

Graphene 3D is primarily focused on developing and manufacturing graphene based materials for 3D printing. 3D printing is a new and small industry, and adoption has been low so far due to the high cost, and lack of flexibility in the design and printing process. However, the market is expected to experience double digit annual growth over the next decade based on expected technological advancements in the sector. GGG has two US patent applications pending.

In December 2015, GGG acquired a related entity, Graphene Laboratories Inc. ("GLI") through a share exchange agreement. GLI currently offers over 100 graphene and related products to over 10,000 customers worldwide, including major clientele such as NASA, Ford Motor Co. (NYSE: F), General Electric (NYSE: GE), Apple (Nasdaq: AAPL), Xerox (NYSE: XRX), Samsung (LSE: SMSN), Harvard University, IBM (NYSE: IBM) and Stanford University. GLI is estimated to generate annual revenues of \$1 million.

GGG spends significant resources on Research & Development ("R&D") and is pursuing multiple initiatives. One such example is a 12 month R&D and royalty agreement (announced in December 2015) with a Fortune 500 listed manufacturer. Details of the partner and the project deliverables were not disclosed to maintain confidentiality. However, GGG did indicate that, upon successful completion of the research phase, and subject to approval by the U.S. FDA, the developed materials will become a part of a consumer retail product.

Graphene Energy Storage Devices

The investment in GGG has been attractive so far for LMR. Although it is early to speculate on the outcome of the various initiatives undertaken by GGG, positive developments from even one of those initiatives will result in significant upside to LMR's investment in GGG.

In 2014, LMR invested US\$182,286 (40% of the total outstanding equity) in Graphene Energy Storage Devices, a company formed by Graphene Labs. The new company is a result of the successful Phase I study of a graphene supercapacitor project conducted by

*Additions to
the Board of
Advisors*

Graphene Labs, and the Stony Brook University. Graphene ESD believes they will be able to develop low-cost graphene-based supercapacitor devices that will be capable of even higher discharge currents. If successful, the device will be able to target a wide range of applications in electronics, electric vehicles, electric grid, etc.

On February 23, 2015, Graphene ESD signed a research agreement with the Research Foundation of Stony Brook University. Graphene ESD will partner with SBU to develop new supercapacitor designs for energy storage. According to management, Graphene ESD and SBU are scheduled to deliver a report on the project in the next quarter.

Since our previous report, the company added two members to its Board of Advisors.

Michael Pesner

Mr. Pesner is President of Hermitage Canada Finance Inc., a company that specializes in financial advisory services. Currently he is serving on the Board of Directors for several public companies including: Richmond Mines Inc., Le Chateau Inc., Quest Rare Minerals Ltd., Alexandria Minerals Corporation, Wi2Wi Corporation and Canamex Resources Corp. Previously, Mr. Pesner was a Board member of KPMG and a Partner in Financial Advisory Services at the Montreal offices of KPMG, prior to which he was National Executive, Corporate Recovery Partner at KPMG predecessor firm Thorne Ernst & Whinney.

Ron Mertens

Based in Israel, Mr. Mertens is Graphene-Info's owner and editor in chief, and a graphene market analyst that spent years gathering knowledge and building lasting relationships with other industry professionals. He received a BSc in computing science, statistics and operations research, and worked as a software engineer for P-Cube, which was acquired by Cisco Systems. A software engineer by trade, he started his technology blogging business in 2004 with aims of starting truly unique and up-to-date bodies of knowledge that he could share with the world. In that regard, he developed and published The Graphene Handbook, an accessible and straight-forward guide to the graphene industry, which is available on his site. Graphene-Info, established in 2009, follows the graphene market and industry, and is considered the Web's leading graphene resource with tens of thousands of monthly readers, as well as a number of tailored services and products for the graphene industry. Among Mr. Mertens's additional blogs are the successful OLED-Info that's focused on OLED displays and lighting, as well as several other technological blogs that deal with innovative materials and technologies.

Financials

At the end of Q1-2016 (ended October 31, 2015), the company had cash and working capital of \$0.40 million and \$0.12 million, respectively. The company reported a net loss of \$0.23 million (EPS: -\$0.00) in Q1-2016. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.40 million per month in the quarter. The following table summarizes the company's liquidity position.

Stock Options and Warrants

Valuation and Rating

(in C\$)	2015	Q1-2016
Cash	1,360,931	401,318
Working Capital	1,314,233	121,849
Current Ratio	5.26	1.23
LT Debt / Assets	-	-
Burn Rate Per Month (operating and inves	(335,051)	(397,461)
Cash from financing activities	787,361	-

Subsequent to the quarter-end, the company received a loan of US\$0.11 million (@ 1% p.a.) from Graphene ESD. The funds will be used to manufacture and market the Spider Chargers and the other products licensed from Megahertz, and for general working capital.

The company currently has 5.68 million options outstanding (weighted average exercise price of \$0.10) and 14.89 million warrants outstanding (weighted average exercise price of \$0.16). At this time, none of the stock options or warrants are 'in-the-money'.

The following table shows the current market valuations of junior graphite players. The current Enterprise Value ("EV") to resource ratio is \$13.7/t, down from \$23.3/t at the same time last year.

Company	Resource	EV / Resource *
Zenyatta Ventures	1.20	\$46.6
Focus Graphite	1.62	\$19.4
Mason Graphite	12.81	\$4.3
Energizer Resources	7.48	\$3.0
Northern Graphite	1.41	\$13.3
Graphite One	5.51	\$4.0
Flinders Resources	0.90	\$11.5
Alabama Graphite	2.35	\$7.1
Lomiko Metals and CJC	0.90	
Average	3.43	\$13.7

* Resource = 100% of M&I + 50% of Inferred

We believe the current market valuations do not reflect the industry's fundamentals, and therefore, use \$23.3/t to value La Loutre's resources. The following table shows our valuation on LMR's shares. Note that we have assumed an 80% interest in La Loutre, net of acquisition costs.

Valuation	\$, Millions	Value per Share
La Loutre (based on \$23.3/t)	\$15.79	\$0.092
Investment in Graphene 3D (based on the 12 mo avg GGG's share price of \$0.56)	\$2.24	\$0.013
Investment in SHD + License (book value)	\$1.01	\$0.006
Investment in Graphene ESD (book value)	\$0.19	\$0.001
Working Capital	\$0.12	\$0.001
Fair Value	\$19.35	\$0.113

Due to the speculative nature of the company's other investments, we took a very conservative approach and valued them based on their current market or book values, and applied a multiple. We will update our valuation as we receive tangible information on the company's investments.

We are assigning a BUY rating and a fair value estimate of \$0.15 per share on LMR's shares. Note that we did not previously have a rating / fair value on LMR.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- LMR's value is dependent on commodity prices.
- The company does not currently have any operating mines.
- Access to capital and share dilution.
- Investment in early stage R&D projects carries inherent risk.

We rate the company's shares a Risk of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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The distribution of FRC's ratings are as follows: BUY (69%), HOLD (8%), SELL (5%), SUSPEND (18%).

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