LOMIKO METALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2013 and 2012

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lomiko Metals Inc.

We have audited the accompanying consolidated financial statements of Lomiko Metals Inc., which comprise the consolidated statements of financial position as at July 31, 2013 and July 31, 2012, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended July 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

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

Galloway Botteselle & Company

CERTIFIED GENERAL ACCOUNTANTS

Vancouver, BC
November 27, 2013

LOMIKO METALS INC.

(An exploration stage company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian Dollars
As at July 31, 2013

		2013	2012
ASSETS			
Current			
Cash and cash equivalents (Note 6)	$	**394,022**	413,796
Accounts receivable (Note 7)		**18,853**	17,579
Prepaid expenses		**37,232**	100,072
		450,107	531,447
Exploration and evaluation assets (Note 8)		**1,086,002**	669,581
	$	**1,536,109**	1,201,028
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 10, 15)	$	**293,515**	64,096
		293,515	64,096
SHAREHOLDERS' DEFICIENCY			
Capital stock (Note 9 a)		**17,825,194**	17,352,740
Warrants (Note 9 b)		**173,690**	515,536
Stock-based payment reserve (Note 9 c)		**360,970**	322,002
Deficit		**(17,117,260)**	(17,053,346)
		1,242,594	1,136,932
	$	**1,536,109**	1,201,028

Nature of operations (Note 1)
Commitments, contingencies and subsequent events (Note 12 and 15)

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 financial statements.

LOMIKO METALS INC.

(An exploration stage company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Expressed in Canadian Dollars
For the Years Ended July 31, 2013 and 2012

	2013	2012
Expenses		
Advertising and promotion	**$ 219,243**	$ 247,851
Consulting fees	**33,282**	49,928
Investor relations	**17,518**	59,113
Management fees	**120,000**	120,000
Office and miscellaneous	**20,370**	27,366
Professional fees	**50,200**	65,454
Research and development	**47,955**	-
Regulatory and trust company fees	**31,915**	32,129
Stock-based compensation	**61,254**	76,799
	601,737	678,640
Operating loss before other items	**(601,737)**	(678,640)
Other items:		
Write-down of mineral property acquisition and exploration costs (Note 8)	**-**	(199,647)
Net loss and comprehensive loss	**(601,737)**	(878,287)
Deficit, beginning of year	**(17,053,346)**	(16,349,722)
Prior period adjustment (Note 14)	**-**	(14,185)
As restated	**(17,053,346)**	(16,363,907)
Expired options and warrants	**537,823**	188,848
Deficit, end of year	**$ (17,117,260)**	(17,053,346)
Basic and diluted loss per common share (Note 11)	$ (0.009)	(0.015)
Weighted average number of shares outstanding	68,209,315	59,969,528

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

LOMIKO METALS INC.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Expressed in Canadian Dollars
For the year ended July 31, 2013

	Common shares					
	Shares	Amount	Warrants	Share-based payment reserve	Deficit	Total Equity (Deficiency)
Balance at July 31, 2011	55,518,445	$ 16,786,673	295,753	269,121	(16,363,907)	987,640
Private placement, net of share issue costs	9,033,200	823,280	-	-	-	823,280
Brokers rights exercised	350,000	28,000	-	-	-	28,000
Shares issued for resource property interest	1,000,000	35,000	-	-	-	35,000
Warrants issued	-	(412,877)	412,877	-	-	-
Warrants expired	-	-	(175,569)	-	175,569	-
Warrants exercised	387,500	46,500	-	-	-	46,500
Valuation allocation on exercise of warrants	-	17,525	(17,525)	-	-	-
Stock options granted	-	-	-	76,799	-	76,799
Stock options expired	-	-	-	(13,279)	13,279	-
Stock options exercised	150,000	18,000	-	-	-	18,000
Valuation allocation on exercise of options	-	10,639	-	(10,639)	-	-
Comprehensive loss for the period	-	-	-	-	(878,287)	(878,287)
Balance, July 31, 2012	66,439,145	17,352,740	515,536	322,002	(17,053,346)	1,136,932
Private placement, net of share issue costs	9,637,856	593,644	-	-	-	593,645
Shares issued for resource property interest	1,500,000	52,500	-	-	-	52,500
Warrants issued	-	(173,690)	173,690	-	-	-
Warrants expired	-	-	(515,536)	-	515,537	-
Stock options issued	-	-	-	61,254	-	61,254
Stock options cancelled	-	-	-	(22,286)	22,286	-
Comprehensive loss for the period	-	-	-	-	(601,737)	(601,737)
Balance, July 31, 2012	77,577,001	$ 17,825,194	173,690	360,970	(17,117,260)	1,242,594

The accompanying notes form an integral part of these financial statements

LOMIKO METALS INC.

(An exploration stage company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in Canadian Dollars
For the Years Ended July 31, 2013 and 2012

		2013	2012
Cash flows from operating activities			
Income (loss) for the year	$	**(601,737)**	(878,287)
Items not involving cash:			
Mineral property costs written off		**-**	199,647
Stock-based compensation		**61,254**	76,799
		(540,483)	(601,841)
Changes in non-cash working capital items:			
Accounts receivable		**(1,274)**	3,771
Prepaid expenses		**62,840**	(73,263)
Accounts payable		**229,420**	16,017
		(249,497)	(655,316)
Cash flows from financing activities			
Shares issued		**593,644**	915,780
		593,644	915,780
Cash flows from investing activities			
Investment in mineral properties		**(363,921)**	(323,199)
		(363,921)	(323,199)
Increase (decrease) in cash		**(19,774)**	(62,735)
Cash, beginning of year		**413,796**	476,531
Cash, end of year	$	**394,022**	413,796
Supplemental information			
Resource properties acquired by the issuance of shares	$	**52,500**	35,000

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

1 Nature of business and going concern

Lomiko Metals Inc. (the "Company") is incorporated under the laws of the Province of British Columbia and is engaged in the acquisition, exploration and development of resource properties. It is located at Unit 439 - 7184 120th Street, Surrey, BC.

The Company is in the exploration stage and has not yet determined whether its properties contain enough mineral reserves such that their recovery would be economically viable. Its exploration and development operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order to carry out exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that new permits that have been applied for will be granted.

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern which contemplates the realization of assets and discharge of liabilities in the normal course of operations as they become due. The Company has incurred losses since its inception and had an accumulated deficit of $17,117,260 at July 31, 2013 (2012 - $17,053,346), which has been funded primarily by issuance of shares. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. The consolidated financial statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2 Basis of preparation

a) Statement of compliance and basis of measurement
These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. They have been prepared on a historical cost basis as set out in the accounting policies below. Certain items, including derivative financial instruments, are stated at fair value.

These financial statements were authorized for issuance by the Board of Directors on November 27, 2013.

b) Use of estimates and judgments
The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements is included in the notes to the financial statements where applicable.

3 Significant accounting policies

a) Basis of consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, The Conac Group Inc., incorporated in British Columbia, and Conac Software (USA) Inc., incorporated in Washington, USA., and Lomiko Metals LLC, which was incorporated on October 1, 2009 in Colorado, USA. All inter-company accounts and transactions have been eliminated.

b) Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

c) Mineral exploration and evaluation expenditures
The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition or staking costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. Costs are reduced by tax credits related to the assets, if applicable.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the property interests are abandoned or the claims are allowed to lapse.

d) Impairment of non-financial assets
Exploration and evaluation assets are regularly tested for recoverability or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment of exploration and evaluation assets is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viably quantities have not been discovered, indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale.

The recoverable amount is the higher of an asset's fair value less the cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using the discounted estimated future cash flows of the relevant amount. For purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are cash-generating units.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

e) Financial instruments
The Company classifies its financial assets into one of the following categories depending on the purpose for which the instruments were acquired:

3 Significant accounting policies (cont.)

Financial assets and liabilities at fair value through profit or loss
A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Cash and cash equivalents, and marketable securities are included in this category. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations in the period in which they arise.

Available-for-sale
Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not have any instruments classified in this category. Available-for-sale investments are recognized initially at fair value plus transactions costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of operations and are included in other gains and losses.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise amounts receivable due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Financial liabilities at amortized cost
Financial liabilities at amortized cost include accounts payable and accrued liabilities. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise they are presented as non-current liabilities.

f) Functional and presentation currencies
The functional and reporting currency of the Company is the Canadian dollar. Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in operations.

g) Share capital
The Company records proceeds from the share issuance net of issue costs. Shares issued for consideration other than cash are valued at the quoted price on the TSX-V on the date the shares are issued unless the fair value of goods or services received is determined.

h) Flow-through shares
The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("premium") between the amount recognized in common shares and the amount the investor pay for the shares is recognized as a flow-through share related liability, which is reversed into the statement of operations within other income when the eligible expenditures are incurred.

3 Significant accounting policies (cont.)

i) Stock based compensation
Equity-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date. The Company records compensation cost based on the fair value method of accounting for share-based payments. The fair value of stock options is determined using the Black-Scholes option pricing model and is recognized over the vesting period as compensation expense and share-based payment reserve. When options are exercised, the proceeds received, together with any related amount in share-based payment reserve, will be credited to capital stock.

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

j) Operating loss
Operating loss is comprised of general administrative costs incurred by the Company, which are not specific to evaluation and exploration projects and all impairment charges relating to intangible assets and financial assets during the year. Operating loss is stated before finance income, finance costs and other gains and losses.

k) Comprehensive income or loss
Comprehensive income or loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealised gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income or loss, components of other comprehensive income, and cumulative translation adjustments are presented in the consolidated statements of comprehensive income or loss and the consolidated statements of changes in equity.

l) Earnings or loss per share
Basic and fully diluted earnings or loss per share is calculated on the weighted average number of shares outstanding during the year.

The treasury stock method is used to determine the dilutive effect of stock options and warrants. In order to determine diluted earnings or loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings or loss per share calculation. In the Company's case, diluted loss per share presented is the same as basic loss per share as the effect of outstanding share options and warrants in the loss per share calculation would be anti-dilutive.

m) Income taxes
The Company uses the liability method of tax allocation. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using enacted or substantially enacted tax rates expected to apply when these differences reverse. Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

4 New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after January 1, 2013. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

a) New accounting standards effective January 1, 2013
In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

IFRS 10, *Consolidated Financial Statements ("IFRS 10")*
IFRS 10 builds on existing principles and standards and identifies the concept of control as the determining factor in which an entity should be included within the consolidated financial statements of the parent company. In addition, the consolidated procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements.

IFRS 11, *Joint Agreements ("IFRS 11")*
IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interest in joint ventures. IFRS 11 supersedes IAS 31 Interest in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers.

IFRS 12, Disclosure of Interest in Other Entities ("IFRS 12")
IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an association or an unconsolidated structured entity.

IFRS 13, *Fair Value Measurements ("IFRS 13")*
IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. This IFRS applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements, except in specified circumstances.

Amendments to IAS 27 and IAS 28
IAS 27 addresses accounting for subsidiaries , jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 10 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

4 New standards and interpretations not yet adopted (cont.)

b) New accounting standards effective January 1, 2015

IFRS 9 *Financial Instruments*
IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss would generally be recorded in other comprehensive income.

5 Critical accounting estimates and judgments

Information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below. The effect of a change in an accounting estimate is recognized prospectively by including it in total comprehensive loss/income in the period of change, if the change affects that period only, or in the period of the change and future periods, if the change affect both.

Title to mineral property interests
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 aboriginal interests arising from treaty rights. Title may also be affected by undetected prior agreements, transfers and other defects.

Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Share-based payments
The fair value of the employee share options is measured using the Black-Scholes option pricing model. The Company has made estimates as to the expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds).

Warrants
The fair value of the warrants is estimated at the issue date using the Black-Scholes option pricing model with estimates of the volatility based on the Company's historical common share trading prices, expected dividend yield and risk-free interest rates.

Expressed in Canadian Dollars

6 Cash and cash equivalents

		July 31 2013	July 31 2012
Cash	$	391,018	410,792
Cash equivalents		3,004	3,004
		394,022	413,796

As at July 31, 2013, the Company had pledged $3,000 of cash held in a Guaranteed Investment Certificate as a bond to the Ministry of Mining for the Vines Lake exploration site.

7 Accounts receivable

		July 31 2013	July 31 2012
GST receivable	$	10,816	17,579
British Columbia mining exploration tax credit receivable (Note 8)		8,037	-
		18,853	17,579

8 Mineral exploration and evaluation assets

The following table shows the exploration and evaluation assets

	Vines Lake	Karolina	Rose Lake	Quatre-Milles	Quatre-Milles West	Total
Balance, July 31, 2011	$ 311,382	175,647	24,000	-	-	511,029
Exploration costs	222,178	-	-	73,137	-	295,315
Acquisition of property	2,884	-	-	60,000	-	62,884
Write-off	-	(175,647)	(24,000)	-	-	(199,647)
Balance, July 31, 2012	536,444	-	-	133,137	-	669,581
Exploration costs	42,621	-	-	285,220	11,080	338,921
Acquisition of property	-	-	-	77,500	-	77,500
Balance, July 31, 2013	$ 579,065	-	-	495,857	11,080	1,086,002

Vines Lake Property - Liard Mining District, BC
Since March 2006, the Company has acquired 100% interest in 17 claims comprising approximately 5,408 hectares ("Ha") in Liard Mining District of British Columbia, subject to a 2% Net Smelter Return ("NSR") in favour of Mr. Amrit P.S. Gill, a director of the Company.

The Company has applied for a British Columbia mining exploration tax credit, in the amount of $8,037 in respect of qualified exploration costs incurred on the property (Note 7). Exploration costs incurred in 2013 have been reduced by this amount.

Karolina Property - Chile
Since June 2009, the Company had acquired exclusive rights to develop 100% of 1,900 hectares of Chilean mineral claims located in the Aguas Calientes Salar, II Region, Chile . The mineral titles were not renewed and therefore were automatically forfeited in June 2012.

Expressed in Canadian Dollars

8 Interests in mineral properties (cont.)

Rose Lake 70 Mile House, BC - Canada
In June 2010, the Company acquired 100% interest in EVA and PLAYA claims making up 222 Ha and 222 Ha respectively of semi-evaporitic lakes known as Rose Lake and Cunningham Lake near 70 Mile House, B.C. The two claims were forfeited at the beginning of the fiscal year 2012 due to non-renewal.

Quatre-Milles - Quebec
In December 2011, the Company signed a mineral property acquisition agreement to acquire a 100% interest in 28 claims comprising approximately 1,641 hectares ("Ha") in the Quatre-Milles Graphite Property located in southwestern Quebec, subject to a 2% NSR in favor of the vendors. The Company is entitled to conduct exploration work on the property. However the transfer of the legal title will not complete until the Company fulfills the additional commitments and conditions as addressed in Note 12.

Quatre-Milles West - Quebec
On May 25, 2012, the Company signed a letter agreement with three vendors to acquire a 100% interest in the 2,180 hectares Quatre-Milles West Property in Quebec. The acquisition is pending on a final approval from the TSX-V. The Company has conducted geological research on the property and has capitalized such expenses incurred to date (Note 12).

9 Share capital and reserves

(a) Common shares

Authorized:
Unlimited number of common shares without par value

Issued and fully paid:

	Number of shares	Issue price	Amount
Balance at July 31, 2011	55,518,445	$ -	$16,786,673
Shares issued via private placement	9,033,200	0.10	903,320
Value assigned to warrants	-	-	(412,877)
Issuance of shares on resource property acquisition	1,000,000	0.035	35,000
Issuance of shares on exercise of warrants	387,500	0.12	46,500
Valuation allocation on exercise of warrants	-	-	17,525
Issuance of shares on exercise of options	150,000	0.12	18,000
Valuation allocation on exercise of options	-	-	10,639
Issuance of shares on exercise of rights	350,000	0.08	28,000
Less: share issue costs	-	-	(80,040)
Balance at July 31, 2012	66,439,145	-	17,352,740
Shares issued via private placement	2,495,000	0.06	149,700
Value assigned to warrants	-	-	(75,739)
Shares issued via private placement	7,142,856	0.07	500,000
Value assigned to warrants	-	-	(97,951)
Shares issued via private placement	1,500,000	0.035	52,500
Less: share issue costs	-	-	(56,056)
Balance at July 31, 2013	77,577,001	$ -	$17,825,194

Expressed in Canadian Dollars

9 Share capital and reserves (cont.)

Private placements

On June 12, 2013 the company completed a non-brokered private placement of 2,495,000 units of the Company (the "units") at $.06 per unit for gross proceeds of $149,700. Each unit is comprised of one common share and one transferable share purchase warrant. Each warrant is exercisable into one common share for a period of 12 months from the date of issuance at an exercise price of $0.10 per share. A company director and a company related to the director, participated in the private placement by purchasing 1,020,000 units. Legal fees of $406 were paid. The warrants were valued using the Black-Scholes pricing model using the following assumptions: risk free interest rate – 1.09%; a volatility factor of 156.5% and an expected life of 0.98 year. The value allocated to the warrants was $75,739 or $.030 per share.

One June 27, 2013 the company completed a brokered private placement of 7,142,856 flow through units at a price of $.07 per unit. Each flow through unit consisted of one flow through common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share of the company at a price of $.14 per share for a period of 12 months from the date of issuance. A finders fee of $45,000 was paid as well as $10,650 in legal fees. The warrants were valued using the Black-Scholes pricing model using the following assumptions: risk free interest rate – 1.11%; a volatility factor of 156.2% and an expected life of 0.98 year. The value allocated to the warrants was $97,951 or $.025 per share.

(b) Share purchase warrants

Summary of warrants outstanding at July 31, 2013

Number of warrants	Grant date fair value	Exercise price	Expiry Date
2,495,000	$ 75,739	$ 0.10	June 12, 2014
3,857,142	97,951	0.14	June 27, 2014
6,352,142	$ 173,690		

Share purchase warrant transactions for the respective periods were as follows:

	Number of Warrants	Weighted Average Exercise price	Grant Date Fair Value
Balance at July 31, 2011	7,125,000	$ 0.11	295,753
Issued	9,033,200	0.15	412,877
Exercised	(387,500)	0.12	(17,525)
Expired	(4,937,500)	0.11	(175,569)
Balance at July 31, 2012	10,833,200	0.15	515,536
Issued	6,352,142	0.13	173,690
Expired	(10,833,200)	0.15	(515,536)
Balance at July 31, 2013	6,352,142	$ 0.13	$ 173,690

Expressed in Canadian Dollars

9 Share capital and reserves (cont.)

(c) Stock options

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 option price under each option shall not be less than the discounted market price on the grant date. 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 stock 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 5% 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.

The following table summarizes the stock options outstanding and exercisable as at July 31, 2013

Number of options outstanding	Exercise price	Expiry Date
1,300,000	$ 0.12	September 3, 2014
50,000	0.12	February 17, 2015
700,000	0.10	November 30, 2014
825,000	0.10	February 8, 2016
350,000	0.10	August 8, 2016
775,000	0.10	February 13, 2014
100,000	0.10	June 1, 2017
825,000	0.10	February 1, 2018
400,000	0.10	April 30, 2018
5,325,000	$ 0.11	

The weighted average remaining contractual life of options outstanding at July 31, 2013 is 2.25 years. The weighted average exercise price for options that are exercisable at July 31, 2013 amounted to 0.11 per option.

Expressed in Canadian Dollars

9 Share capital and reserves (cont.)

Stock option transactions for the period ended July 31, 2013 were as follows:

	Number of options	Weighted average exercise price
Balance at July 31, 2011	$ 4,590,000	$ 0.11
Issued	1,225,000	0.10
Expired/ cancelled	(1,040,000)	0.12
Exercised	(150,000)	0.12
Balance at July 31, 2012	4,625,000	0.11
Issued	1,225,000	0.10
Expired/ cancelled	(525,000)	0.11
Balance at July 31, 2013	$ 5,325,000	$ 0.11

During the year ended July 31, 2013, stock-based compensation expense of $61,254 (2012 - $76,799) was recorded. The weighted average fair value of the stock-based compensation expense has been determined using the Black-Scholes option pricing model with the following assumptions:

Number Granted	Grant Date	Expiry Date	Exercise Price	Risk-free Interest rate	Expected Life in years	Expected Volatility	Fair value per option
825,000	2/1/2013	2/1/2018	$ 0.10	1.597%	1.69	210.52%	$ 0.05
400,000	4/30/2013	4/30/2018	$ 0.10	1.206%	1.69	211.21%	$ 0.05

10 Related party transactions

Accounts payable includes a $5,435 payable to a director of the Company.

During the year, in the normal course of operations, the Company paid $120,000 (2012 - $120,000) in management fees paid to companies controlled by directors. The Company also paid stock based compensation in the amount of $28,285 to directors of the Company (2012 - $0).

In June 2013, a director and a company related to the director participated in the private placement by purchasing a total of 1,020,000 units at $0.06 per unit for gross proceeds of $61,200 (2012 - $0). Each unit is comprised of one common share and one transferable share purchase warrant. The value allocated to the warrants was $30,964 (2012 - $0) (Note 9).

11 Basic and diluted loss per share

The calculation of basic loss per share for the year ended July 31, 2013 was based on the loss attributable to common shareholders of $(601,737) (2012 - $(878,287)) and the weighted average number of common shares outstanding 68,209,315 (2012 - 59,969,528).

Excluded from the calculation of the diluted loss per share for the year ended July 31, 2013 are 5,325,000 stock options and 6,352,142 share purchase warrants (2012 - 4,625,000 stock options and 10,833,200 share purchase warrants)

12 Commitments and contingencies

On December 28, 2011, the Company signed a property acquisition agreement with Zimtu Capital Corp. and one of their prospecting partners (the "Vendors") to acquire 100% interest in the Quatre-Milles Property in Quebec. The terms of the agreement are outlined below:

- Pay $25,000 in cash upon signing the Agreement (completed)
- Issue 1 million common shares at $0.035 per share (completed).
- Pay $25,000 in cash and issue 500,000 common shares at $0.035 per share (completed)
- Issue 1,000,000 common shares at $0.35 to the Vendors, due March 26, 2013 (completed)
- Issue 1,500,000 common shares at $0.035 to the Vendors, due March 26, 2014 (pending)
- Retain ConsulTeck Mineral Exploration Consultants, of Val d'Or, Quebec as consultants with respect to exploration on the property due, March 26, 2013.(completed)
- Complete a minimum of $200,000 of exploration on the Property (completed)

In the event the Company does not fulfil any of above conditions, at the option of the Vendors the Company will forfeit its right to acquire the Property.

On May 25, 2012, the Company signed a letter agreement with three vendors to acquire a 100% interest in the 2,180 hectares Quatre-Milles West Property in Quebec. The acquisition is currently pending on a final approval from the TSX-V.

On June 27, 2013, the Company entered into flow-through share subscription agreements whereby it is committed to incur on or before January 31, 2015, a total of $500,000 of qualifying Canadian Exploration Expenses as described in the Income Tax Act. As at July 31, 2013, the Company had not incurred any qualifying expenditures. The Company is able to continue to incur exploration expenses beyond February 2015. However it will be subject to a penalty of 4-5% per annum on the balance required to be spent on its exploration work. The Company intends to fulfil its flow-through commitments within the given time constraints.

The Company's mining and exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations.

On May 23, 2013 the company signed an agreement with the SUNY Research Foundation at Stony Brook University and Graphene Laboratories Inc. The term of the agreement is July 15, 2013 to July 14, 2014. The company is obligated to pay additional US$7,499 to complete the contract.

On February 13, 2013 the company entered into consulting agreements with two directors of Graphene Laboratories Inc. The terms are for one year. Either party can terminate the contract upon 30 days notice. Each contract pays $4,000 per month.

Expressed in Canadian Dollars

13 Income taxes

a) The reconciliation of the income tax recovery, calculated using the combined Canadian federal and British Columbia provincial statutory income tax rate of 25.00% (2012 - 25.63%)

	2013	2012
Loss before income taxes	$ (601,737)	(878,287)
Expected income tax recovery	(150,434)	(225,105)
Adjustments to benefits resulting from:		
Share-based compensation	15,314	19,684
Exploration costs	-	51,170
Change in tax rate	-	4,117
Other	(15,455)	(13,237)
Tax benefits not recognized	150,575	163,371
Deferred income tax recovery	$ -	-

b) The Company has incurred losses for Canadian income tax purposes that may be carried forward to reduce income of future years that would otherwise be subject to income tax. The aggregate amount of the losses is $4,174,219.

The losses expire as follows:

2014	$ 802,097
2015	12,827
2027	110,806
2028	130,858
2029	462,824
2030	679,076
2031	719,946
2032	653,482
2033	602,303
	$ 4,174,219

The potential tax benefits of the losses have not been recognized in the financial statements as it is considered to be more likely than not that future tax assets will not be realized.

Expressed in Canadian Dollars

13 Income taxes (cont.)

c) The Company has Canadian development and exploration expenditure pools for tax purposes of approximately $1,357,474 at July 31, 2013 that may, in certain situations be applied to reduce taxable income in subsequent years.

d) The unamortized balance of share issue costs amounts to $143,248 as of July 31, 2013.

e) The significant components of the Company's deferred income tax assets which have not been recognized are as follows:

	2013	2012
Non-capital losses	$ 1,043,555	892,979
Share issue costs	35,812	39,206
Exploration properties	339,369	263,955
Tax assets not recognized	$ 1,418,736	1,196,140

14 Prior period adjustment

The Company discovered that, in its 2011 fiscal year, 200,000 stock options belonging to a consultant were cancelled in error. The comparative figures for 2011 have been restated to reverse the cancellation and add back the value of the options to the share-based payment reserve. The net comprehensive loss for the year ended July 31, 2011 was reduced by $14,185.

15 Subsequent events

In August 2013, the Company made a total of $185,000 advance payments to contractors for exploration work to be completed at the Quatre-Milles property in the 2014 fiscal year.

On October 9, 2013, the Toronto Stock Exchange approved the issuance of shares for debt. Under the agreement the company issued 4,431,755 shares and 2,759,052 warrants exercisable at $0.10 for two years, to settle debt of $265,905 payable at year end July 31, 2013.

16 Financial instruments

As at July 31, 2013, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The carrying value of these financial instruments approximate their fair values.

Fair Value
The Company classifies its fair value measurements in accordance with an established hierarchy that priorities the inputs in valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly, and
Level 3 - Inputs that are not based on observable market date

The following table sets for the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$394,022	-	-	$394,022
Accounts receivable	-	18,853	-	18,853

Credit Risk
Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. Cash deposits and term deposits are maintained with a financial institution of reputable credit and are redeemable on demand. Amounts receivable consists primarily of input tax credits owed to the Company by the Government of Canada. Accordingly, the Company's opinion is that credit risk is minimal.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At July 31, 2013, the Company had cash and cash equivalents of $394,022 to settle accounts payable and accrued liabilities of $293,515.

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents bear interest at market rates. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature or being non-interest bearing.

Foreign currency risk
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company conducted property examinations in other countries outside of Canada in prior years, and is now focused on explorations in Canada. Management believes that the foreign exchange risk derived from currency conversions for property examinations incurred in other countries outside of Canada is not significant and therefore does not hedge its foreign exchange risk.

16 Financial instruments

Price risk
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to minerals to determine the appropriate course of action to be taken by the Company.

17 Capital risk management

The Company's primary objective for managing its capital structure is to maintain financial capacity for the purpose of sustaining the future development of the business and maintaining investor, creditor and market confidence. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital structure to consist of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the year.

18 Comparative figures

Certain 2012 comparative figures have been reclassified to conform with the current year's presentation.