

LOMIKO METALS INC.  
Form 51-102  
Management Discussion and analysis  
Fourth Quarter ended July 31, 2012



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The following discussion and analysis of Lomiko Metals Inc. (the “*Issuer*” or the “*Company*”), is prepared as of November 23<sup>rd</sup>, 2012 and should be read together with the annual consolidated financial statements and the corresponding notes thereto for the year ended July 31<sup>st</sup>, 2011. The financial statements have been prepared in accordance with International Financial Reporting Standards.

The reader should also refer to the Management Discussion and Analysis for that year.

All amounts are stated in Canadian dollars unless otherwise indicated.

### **Forward Looking Statements**

Statements in this report that are not historical facts and are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Some of the information contained in this discussion may constitute forward-looking statements. Forward-looking information can often be identified by forward-looking words such as “anticipate”, “believe”, “expect”, “goal”, “plan”, “intend”, “estimate” “may” and “will” or similar words suggesting future outcomes, or other expectations, objectives or statements about future events or performance. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied.

### **Overview**

Lomiko Metals Inc, (formerly Lomiko Resources Inc.) (“Lomiko” or “the Company”) was incorporated under the Company Act of the Province of British Columbia on July 3<sup>rd</sup>, 1987. These consolidated financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern, which assume the realization of assets and discharge of liabilities in the normal course of business.

The Company is a reporting issuer in British Columbia and Alberta and is listed on the TSX Ventures Exchange under the symbol “LMR”.

The Company is engaged in the acquisition, exploration and development of natural resource properties.

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**Board of Directors**

Lomiko Metals Inc. depends on the business and technical expertise of its management. The current Board of Directors is comprised of A. Paul Gill, Jacqueline Michael, Julius Galik and Brian Gusko. The directors that compose the audit committee are Jacqueline Michael, Julius Galik and Brian Gusko. The Advisory Board comprises of Dr. Dietmar Siebholz and Mr. Kumara Rachamalla

**MINERAL PROPERTIES**

The Company is engaged in the acquisition, exploration and development of the following mineral properties:

**Vines Lake**

On April, 10<sup>th</sup>, 2006, the Company purchased 100% interest in the Vines Lake property, consisting of three contiguous claim units totaling 1,196.4 in the Cassiar region of B.C. The property is located approximately 10 kilometers southeast of the town of Cassiar, B.C. The claims cover rocks of the Sylvester group which are known to contain productive zones of gold mineralization in the area. The claim group is located approximately 2 kilometers north-east of the former Erickson Gold Mine. Highway 37 intersects the property and there are excellent service facilities nearby. The area is on the Arctic slope with elevations ranging from 1,000 to 2,150 meters. There are no extraordinary environmental problems known as of this date.

The Company paid the vendor, a director in the Company, \$10,000 in cash and issued 480,000 common shares (post 1:4 share split basis, Oct. 7, 2008) at a deemed value of \$60,000 for a total acquisition cost of \$70,000 and a 2% NSR.

The nearby Table Mountain Gold Property operated by Hawthorne Gold (HGC) comprises a number of past-producing, high-grade underground gold mines and placer workings in the Cassiar District of British Columbia. Total gold production to date from the Cassiar District is about 423,500 oz (13,172 kg) of gold.

The Company retained Canadian Mining Geophysics ("CMG") to complete an airborne survey of its Vines Lake Property located near Cassiar, B.C. which was mobilized on June 30<sup>th</sup>, 2008. The aerial survey was conducted with a magnetic gradiometer with VLF-EM on 100 metre line spacing, fly 302 line km and will assist in defining exploration targets. The CMG airborne survey contract was completed in October 2008 and cost \$50,000.

The Company has completed a NI 43-101 technical report compiled by Kirkham Geosystems Ltd.

On June 27<sup>th</sup>, 2011, the Company announced that it has staked an additional 414 Ha directly west of its Vines Lake claims in the Cassiar District of British Columbia and on August 3<sup>rd</sup>, 2011, the Company added another 3,684 Ha claims directly south of the Vines Lake, BC property.

On August 3<sup>rd</sup>, 2011, the Company staked a further 3,684 Ha directly south of the Vines Lake, BC claims. Lomiko now holds the rights to mineral tenures totaling 5407 Ha located in the southwestern corner of the Cassiar District of BC.

On July 21<sup>st</sup> 2011, the Company reported that it has completed Phase 1 of the 2011 exploration program at Vines Lake, BC. The exploration team completed soil geochemistry survey at 50m spaced sample sites on 200m spaced lines. The soil grid covers a total of 74.7 line kilometers including the claim lines. A total of 1,358 soil samples were taken, bagged and sent to Stewart

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Group – Eco Tech Division, in Kamloops, BC for analysis and further assaying. The exploration program was designed to target both potentially high-grade gold vein systems, as seen at the adjacent Table Mountain Mine, in addition to the prospect of intrusion related mineralization. Phase 2 of the 2011 exploration program includes geological mapping and diamond drilling.

The results of the 2011 exploration program show that Zinc values in soil on the Western side of Vines Lake were by far the most anomalous on the property with values reported up to 2,429 ppm. One anomalous zone on the west side of the property measures roughly 122 hectares with an average Zinc value of 425 ppm.

In July/August/September 2012, the Company embarked upon phase 2 of its exploration program with further mapping and soil sampling and is awaiting the results of this endeavour.

To date, the Company has spent a total of \$463,560.62 on its Vines Lake exploration programs and \$72,884.42 on acquisition costs.

**Karolina Chile Lithium Claims (Salar de Aguas Calientes)**

The Salar de Aguas Calientes is located in the northern part of the “Altiplano” in the second region of Chile, close to the border of Argentina and Bolivia. The international road to Salta using the “Paso Jama” passes next to it. Three other salars are located nearby, Salar de Tara, Salar de Pujsa and Salar de Quisquiro. The salar is a beach type Salar with superficial lagoons of variable size and the brine can be found on decimetres depth of the salt crust.

The Company entered into an acquisition agreement to purchase 100% ownership in 8 of 9 claims that make up the Chilean Salar (“Karolina Claims”) encompassing 1900 Ha. The Company approved the purchase of the said property based on certain criteria:

- The Karolina Claims are in an excellent location adjacent to the main sealed highway
- The Salar has significant surface brines known to contain Lithium
- The claims purchased surround a mining concession held by Sociedad Quimica y Minera de Chile S.A. (NYSE:SQM) at Salar de Aguas Calientes
- The demand for Lithium is anticipated to grow 25% per year to meet or increase global production requirements

The purchase of the Karolina Claims was done through two separate transactions:

The Company completed the purchase of 50 % ownership in the Karolina Claims with Jeff Adams for which it paid Mr. Adams a total of CAD \$30,000 in cash, on June 15<sup>th</sup>, 2009.

The Company completed the purchase of the remaining 50% ownership in the Karolina Claims with Brian Gusko. Upon Exchange approval, Mr. Gusko received a total of \$50,000 in cash (from which \$10,000 was credited towards legal fees) and was issued 1 million of the Company's common shares at a deemed value of \$0.065 per share equalling \$65,000 on November 11<sup>th</sup>, 2009.

The total acquisition cost for the Karolina Lithium Claims in Chile was CAD \$145,000 and \$30,647.19 in initial exploration analysis and claim renewal fees.

In June 2012, the Company did not renew its claims on this property and thus abandoned it because of environmental restrictions on the property. To that end, a total of \$175,647 was written off for this period.

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**Rose Lake Soda Ash Claims, 70 Mile House, BC**

On May 7, 2010 The Company signed a property purchase agreement with Paul Dickson for 100% interest in the EVA and PLAYA claims which comprise 222.04 hectares and 222.09 hectares respectively of semi-eporitic lakes known as Rose Lake and Cunningham Lake (“the Lakes”). The claims are located near 70 Mile House, B.C.

The Lakes are located in the Green Timber Plateau area, a semi-arid plateau averaging 1130 metres elevation and are part of the Cariboo Plateau. The area is underlain by alkaline plateau basalt flows of the Miocene to Pleistocene Chilocotin Group, mantled by a thin cover of glacial till and glaciofluvial sediments.

Upon Exchange approval, the Company paid the vendor, Paul Dickson, \$10,000 in cash and 200,000 of the Company’s common shares deemed at a value of \$0.07 per share equaling \$14,000 for a total sum of \$24,000.

In October/November 2011, the Company did not to renew the mineral titles to this property. Therefore, the property is considered impaired and a total of \$24,000 has been written off.

**Quatre Milles (Graphite), Quebec**

On November 12<sup>th</sup>, 2011, the Company announced that it had signed an Option Agreement (the “Agreement”) with Zimtu Capital Corp. and one of their prospecting partners (the “Vendors”) to acquire 100% interest in the Quatre Milles (Graphite) Property in Quebec (the “Property”).

The Quatre Milles Property is road accessible and is located approximately 175 km northwest of Montreal and 17 km due north of the village of Sainte-Veronique, Quebec. The property consists of 28 contiguous claims totaling approximately 1,600 hectares.

The property was originally staked and explored by Graphicor Resources Inc. (“Graphicor”) in the summer of 1989 based on the results of a regional helicopter-borne EM survey. The underlying geology consists of intercalated biotite gneiss, biotite feldspar gneiss, marble, quartzite and calcsilicate lithologies of the Central Metasedimentary Belt of the Grenville Province.

The terms of the Agreement between the Company and the Vendors is as follows:

- In November 2011, the Company paid \$25,000 in cash upon signing the Agreement and issued 1 million common shares upon the TSX Venture Exchange (TSX-V) acceptance of the Agreement on March 26<sup>th</sup>, 2012
- On September 26<sup>th</sup>, 2012, the Company paid a further \$25,000 in cash and issued 500,000 common shares to the Vendors (six months from Exchange acceptance).
- The Company must issue 1 million common shares to the Vendors on March 26<sup>th</sup>, 2013 (twelve months from Exchange acceptance).
- The Company must issue 1.5 million shares to the Vendors on March 26<sup>th</sup>, 2014 (twenty-four months from Exchange acceptance.)
- Between April 2012 – October 2012, the Company completed \$316,717 in exploration work on the property, thus satisfying the terms of the agreement, being a minimum of CAD \$200,000 in exploration work required on the Property within the first 12-month period.
- The Vendors will retain a 2% net smelter royalty on the Property, of which the Company can purchase 1% for CAD\$1 million.

The Company completed a 43-101 technical report on the Quatre-Milles property in March 2012 which was conducted by Consul-Teck Exploration Services.

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From April 2012 – September 2012, the Company completed Phase 1 of its exploration program on the property with mapping/sampling and drilled 17 holes over 1600 metres. The analysis results of this project done by Acme Metallurgical Limited of BC were encouraging and showed a near surface mineralization of 4.58% large flake graphite.

**MINERAL PROPERTIES ACQUISITIONS AND DEFERRED EXPENDITURES**

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. As at July 31<sup>st</sup>, 2012 a total of \$669,582.01 was recorded for acquisition and exploration expenses on its mineral properties. All of these costs were deferred.

A summary of capitalized acquisition and exploration expenditures on the Company's properties is as follows:

| <b><u>Vines Lake – Cassiar District, BC</u></b> |                           |                    |                      |                     |                      |
|---|---------------------------|--------------------|----------------------|---------------------|----------------------|
| <b><u>Date</u></b>                              | <b><u>Description</u></b> | <b><u>Cash</u></b> | <b><u>Shares</u></b> | <b><u>Price</u></b> | <b><u>Amount</u></b> |
| 05/15/2006                                      | Acquisition Cost          | 10,000.00          |                      |                     | 10,000.00            |
| 05/15/2006                                      | Acquisition Cost          |                    | 120,000              | 0.50                | 60,000.00            |
| 08/09/2011                                      | Acquisition Cost/claims   | 2,884.42           |                      |                     | 2,884.42             |
| 02/20/2007                                      | Property claim renewal    | 5,323.28           |                      |                     | 5,323.28             |
| 01/28/2008                                      | Property claim renewal    | 5,324.61           |                      |                     | 5,324.61             |
| 06/23/2008                                      | Geophysical aerial survey | 25,000.00          |                      |                     | 25,000.00            |
| 07/29/2008                                      | Geophysical aerial survey | 20,000.00          |                      |                     | 20,000.00            |
| 10/23/2008                                      | Geophysical aerial survey | 5,000.00           |                      |                     | 5,000.00             |
| 01/16/2009                                      | Property claim renewal    | 5,323.28           |                      |                     | 5,323.28             |
| 5/31/2011                                       | Initial exploration costs | 5,850.00           |                      |                     | 5,850.00             |
| 06/30/2011                                      | Exploration costs         | 83,719.25          |                      |                     | 83,719.25            |
| 07/30/2011                                      | Exploration costs         | 85,841.74          |                      |                     | 85,841.74            |
| 08/31/2011                                      | Exploration costs         | 43,693.33          |                      |                     | 43,693.33            |
| 09/30/2011                                      | Exploration costs         | 101,645.87         |                      |                     | 101,645.87           |
| 10/31/2011                                      | Exploration costs         | 9,123.77           |                      |                     | 9,123.77             |
| 11/12/2012                                      | Exploration costs         | 560.47             |                      |                     | 560.47               |
| 12/31/2011                                      | Exploration costs         | 6,522.99           |                      |                     | 6,522.99             |
| 01/31/2012                                      | Exploration costs         | 10,255.29          |                      |                     | 10,255.29            |
| 03/31/2012                                      | Exploration costs         | 2,800.00           |                      |                     | 2,800.00             |
| 04/30/2012                                      | Exploration costs         | 9,363.11           |                      |                     | 9,363.11             |
| 07/31/2012                                      | Exploration costs         | 38,213.63          |                      |                     | 38,213.63            |
|   |                           |                    |                      |                     |                      |
|   | <b>Total Vines Lake</b>   | <b>476,445.04</b>  | <b>120,000</b>       |                     | <b>536,445.04</b>    |

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| <b>Karolina Chile Lithium Property (Salar de Aguas Calientes)</b> |                                   |                   |                  |              |                   |
|---|-----------------------------------|-------------------|------------------|--------------|-------------------|
| <b>Date</b>   | <b>Description</b>                | <b>Cash</b>       | <b>Shares</b>    | <b>Price</b> | <b>Amount</b>     |
| 06/11/2009  | Acquisition cost                  | 30,000.00         |                  |              | 30,000.00         |
| 06/19/2009  | Acquisition cost                  | 10,000.00         |                  |              | 10,000.00         |
| 08/02/2009  | Acquisition cost                  | 10,000.00         |                  |              | 10,000.00         |
| 11/11/2009  | Acquisition cost                  | 30,000.00         |                  |              | 30,000.00         |
| 11/11/2009  | Acquisition cost                  |                   | 1,000,000        | 0.065        | 65,000.00         |
| 03/19/2010  | Mining concession fee             | 3,165.70          |                  |              | 3,165.70          |
| 04/09/2010  | Baseline project exploration cost | 24,481.49         |                  |              | 24,481.49         |
| 04/05/2011  | Property claim renewal            | 3,000.00          |                  |              | 3,000.00          |
| 06/30/2012  | Property abandoned                | -110,647.19       |                  |              | -175,647.19       |
|   | <b>Total Karolina</b>             | <b>0.00</b>       | <b>1,000,000</b> |              | <b>0.00</b>       |
| <b>Rose Lake – 70 Mile House, BC</b>                              |                                   |                   |                  |              |                   |
| 06/21/2010  | Acquisition cost                  | 10,000.00         |                  |              | 10,000.00         |
| 06/16/2010  | Acquisition cost                  |                   | 200,000          | 0.07         | 14,000.00         |
| 10/31/2011  | Property abandoned                | -10,000.00        |                  |              | -24,000.00        |
|   | <b>Total Rose Lake</b>            | <b>0.00</b>       | <b>200,000</b>   |              | <b>0.00</b>       |
| <b>Quatre Milles (Graphite) QB</b>                                |                                   |                   |                  |              |                   |
| 11/12/2011  | Acquisition cost                  | 25,000.00         |                  |              | 25,000.00         |
| 03/27/2012  | Acquisition cost                  |                   | 1,000,000        | 0.035        | 35,000.00         |
| 03/31/2012  | 43-101 Report                     | 27,497.59         |                  |              | 27,497.59         |
| 06/30/2012  | Exploration costs                 | 45,639.38         |                  |              | 45,639.38         |
|   | <b>Total Quatre Milles</b>        | <b>98,136.97</b>  | <b>1,000,000</b> |              | <b>133,136.97</b> |
|   | <b>Total Acquisition costs</b>    |                   |                  |              | <b>132,884.42</b> |
|   | <b>Total Deferred expenses</b>    |                   |                  |              | <b>536,697.59</b> |
|   | <b>Grand Total</b>                | <b>574,582.71</b> | <b>2,320,000</b> |              | <b>669,582.01</b> |

**Fourth Quarter 2012 Financial Activities**

The following events took place in the Company during the fourth financial quarter of 2012.

On May 10, 2012, the Company appointed Mr. Kumara Rachamalla, M.B.A., M.Eng., P.Eng.– Advisory Board member. Mr. Rachamalla is highly experienced in government and financial matters. He has developed and implemented innovative incentive policies for the Government of Ontario, advised public and private sector clients on technical, environmental, natural resource, financial and taxation issues. Furthermore, Mr. Rachamalla designed economic, financial and

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taxation models to develop and assess a broad range of fiscal options and their impact on private sector investments and made recommendations for incorporation into tax statutes.

Mr. Rachamalla has also advised institutional investors in Canada, U.S., Europe and the Far East on attractive investment opportunities in the natural resource sector by providing in-depth commodity analysis, combining financial, technical and industry expertise and provided expert opinion in Canadian and U.S. tax courts.

Mr. Rachamalla has raised both equity and debt capital for corporations and advised corporate clients on financing, joint ventures, acquisitions and mergers. He has also developed strategic plans and reviewed project evaluation of the multi-billion dollar Syncrude oil-sands project, has evaluated and conducted feasibility studies and ore reserve estimates in Quebec and Yukon Territories as Assistant Chief Mine Engineer and has conducted cost-benefit analyses, environmental studies and health and safety surveys for the National Coal Board in the United Kingdom.

On May 14, 2012, the Company announced that it has signed a letter agreement with three vendors to acquire a 100%-interest in the 2,180 hectare Quatre Milles West Property, located in southern Quebec.

The Quatre Milles West Property covers the western extension of the geology that hosts the drilled graphite bearing structures at the Company's Quatre Milles Property. The combined property now covers two separate claim blocks, one 8 km by 7 km, and the other 7 km by 5 km, which brings the expanded Quatre Milles Property from approximately 1,600 hectares to 3,780 hectares.

To earn its 100%-interest, Lomiko must pay C\$3,000 and issue 1,800,000 shares, subject to TSX Venture Exchange acceptance and grant the vendors a 2% NSR of which the first 1% may be purchased for \$1 million. As of this reporting date, this transaction has not yet been completed.

#### **Subsequent events**

In August, 2012, the Company completed a soil/rock sampling program on its Quatre-Milles, QC graphite property through an exploration crew from Consul-Teck Exploration. The Company also signed a contract with Forage Val d'Or Inc. to complete the 1500-1750 meter Phase 1 drilling program on this property.

On September 20<sup>th</sup>, 2012 the Company reported that 23 drill holes, totaling 1600 metres, were completed at the Quatre-Milles East graphite property and that visible large flake graphite was identified in multiple drill holes from this campaign.

On October 22<sup>nd</sup>, 2012, the Company reported results for the first 6 drill holes completed at Quatre-Milles graphite property in Quebec which confirmed wider zones than expected from current drilling than historical results, with mineralization starting near surface.

On November 13<sup>th</sup>, 2012, the Company reported results for the remaining 17 of 23 drill holes completed at Quatre-Milles graphite property in Quebec which showed 4.77 meters of 10.80% CG, 19.52 meters of 6.23% CG and 39.80 meters of 3.71% CG at Quatre-Milles flake graphite property.

On October 19<sup>th</sup>, 2012, the Company held its 2012 Annual General Meeting (the "Meeting") whereby, the shareholders re-elected to the Board of Directors, A. Paul Gill, Jacqueline Michael,

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Julius Galik and elected Brian Gusko. In addition, the shareholders approved the other matters put before the Meeting, including the re-appointment of Galloway, Botteselle & Company, CGA, as the Company's auditor and the re-approval of the Company's Stock Option Plan.

At the first meeting of the newly constituted Board of Directors held immediately after the Meeting, A. Paul Gill was elected to serve as President and Chief Executive Officer and Jacqueline Michael as Chief Financial Officer until the next AGM of the Company. The Board also elected Julius Galik, Brian Gusko and Jacqueline Michael to serve at the Company's Audit Committee.

**Nature of Business and Going Concern**

Lomiko Metals Inc. (the "Company") was 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.

The recoverability of valuations assigned to resource properties is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition. Management reviews the carrying value of the Company's interest in each property and where necessary, properties are written down to their estimated recoverable amount. Although management has made its best estimate of these factors, it is reasonably possible that certain events could adversely affect management's estimates of recoverable amounts and the amount of provision for impairment in the carrying value of its resource property interests and related assets. Although the Company has taken steps to verify title to properties in which it has an interest in accordance with industry standards for the current stage of development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and regulatory and environmental claims.

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting 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. These condensed interim consolidated financial statements do not reflect any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue business.

**Basis of preparation and adoption to IFRS**

**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.

**Use of estimates and judgments**

The preparation of financial statements in accordance with IFRS requires management to make

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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.

**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.

**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.

**Mineral property interests**

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. 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.

**Asset retirement obligations**

The Company will record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its resource properties. This amount is recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to mineral property interests and amortized over the useful life of the properties. Management is currently not aware of any existing significant asset retirement obligations and the Company currently does not have any legal obligations relating to the reclamation of its interest in resource properties.

**Financial instruments**

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

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.

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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.

***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.

***Flow-through shares***

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

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

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**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.

**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.

**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.

**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.

**Income taxes**

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets

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also result from unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**New standards and interpretations not yet adopted**

**IFRS 9, Financial Instruments ("IFRS 9")**

IFRS 9 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. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard.

**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. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard.

**IFRS 11, Joint Ventures ("IFRS 11")**

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. The IFRS supersedes IAS 31 Interest in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Ventures and is effective for annual periods beginning on or after January 1, 2013.

**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. This standard is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. The Company is currently evaluating the impacts of this standard on its financial statements.

**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. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Early adoption is permitted. The Company is currently assessing the impact of the standard on its financial statements.

**Critical accounting estimates and judgments**

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

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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.

Information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below:

***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.

***Asset retirement obligations***

The Company recognizes the liability for an asset retirement obligation. The relevant costs associated with the asset retirement obligations are estimated based on the Company's interpretation of current regulatory requirements. Based on the assessment, the Company did not have any significant asset retirement obligations at the reporting dates.

***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.

**Cash and cash equivalents**

|                  | <b>July 31, 2012</b> | <b>July 31, 2011</b> |
|------------------|----------------------|----------------------|
| Cash             | \$ 410,792           | \$ 473,527           |
| Cash equivalents | <u>3,004</u>         | <u>3,004</u>         |
|                  | <u>\$ 413,796</u>    | <u>\$ 476,531</u>    |
| Restricted cash  | <u>\$ 129,867</u>    | <u>\$ 227,593</u>    |

As at July 31, 2012, the Company held a total of \$413,796 in cash and cash equivalents, including \$129,867 cash restricted for mineral property exploration costs.

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**Income Tax**

The reconciliation of the income tax recovery, calculated using the combined Canadian federal and British Columbia provincial statutory income tax rate of 25.63% (2011 - 27.34%)

|   | <b>2012</b>    | <b>2011</b>    |
|---|----------------|----------------|
| Loss before income taxes                | \$ (878,287)   | (744,268)      |
| Expected income tax recovery            | (225,105)      | (203,483)      |
| Adjustments to benefits resulting from: |                |                |
| Share-based compensation                | 19,684         | 20,463         |
| Exploration costs                       | 51,170         | 51,214         |
| Change in tax rate                      | 4,117          | 4,958          |
| Other                                   | (13,235)       | (9,663)        |
| Tax benefits not recognized             | <u>163,369</u> | <u>136,511</u> |
| Deferred income recovery                | <u>\$ -</u>    | <u>-</u>       |

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 \$3,384,593.

The losses expire as follows:

|      |                     |
|------|---------------------|
| 2014 | \$ 802,097          |
| 2015 | 12,827              |
| 2027 | 110,806             |
| 2028 | 130,858             |
| 2029 | 462,824             |
| 2030 | 679,076             |
| 2031 | 532,623             |
| 2032 | <u>653,482</u>      |
|      | <u>\$ 3,384,593</u> |

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.

The Company has Canadian development and exploration expenditure pools for tax purposes of approximately \$1,055,820 at July 31<sup>st</sup>, 2012 that may, in certain situation be applied to reduce taxable income in subsequent years.

The unamortized balance of share issue costs amount to approximately \$156,825 as of July 31<sup>st</sup>, 2012.

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

|                        | <b>2012</b>      | <b>2011</b>    |
|------------------------|------------------|----------------|
| Non-capital losses     | 846,148          | 699,984        |
| Share issue costs      | 39,206           | 51,065         |
| Exploration properties | <u>263,955</u>   | <u>194,917</u> |
|                        | <u>1,149,309</u> | <u>945,966</u> |

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**Other Requirements**

Additional disclosure relating to the Company's material change reports, news releases and other information is available on SEDAR at [www.sedar.com](http://www.sedar.com). The Company's website can be found on: [www.lomiko.com](http://www.lomiko.com).

***Financial instruments***

As at July 31, 2012, 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 data

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 \$413,796 |
|         |         |         | \$ - \$ - \$413,796                 |

***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, 2012, the Company had cash and cash equivalents of \$413,796 to settle accounts payable and accrued liabilities of \$64,097 and the \$126,863 remaining to be spent on exploration work at Quatre-Milles Property (Note 11).

***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.

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***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.

***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.

***Environmental regulations***

The current and future operations of the Company that are conducted in Canada are subject to environmental regulations promulgated by the Governments of Chile and Canada. Current environmental legislation in Canada and Chile provides for restoration of mine sites and safe disposal of any chemicals extracted or used in the mine development. In addition, certain types of operations may require the submission and approval of environmental impact assessments. The existing operations of the Company are subject to such environmental policies and legislation. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards and enforcement and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these environmental costs or effects will not have a material adverse effect on the future financial condition or results of the operations of the Company.

The Company is subject to a number of risk factors due to the nature of the mining business in which it is engaged. The risks and uncertainties not presently known to the Company may impact the Company's financial results in the future. The current economic and market conditions represent circumstances that may affect the carrying amount of the Company's assets.

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***Regulatory Risk***

The operations of all mineral explorers and producers, are subject to extensive controls and regulations imposed by various levels of government. The Company monitors and adheres to all regulations which could affect its operations and has established standards of operating practice which are designed to minimize risk to our employees, the community and the environment. Changes to regulations could have an adverse effect on the Company's results of operations and financial condition.

***Officers & Directors***

Directors and officers have a duty to exercise due diligence in overseeing the activities of the Company. They are required to act in "good faith" and in the best interest of the Company.

**Expenses**

The Company incurred \$878,287.47 in total operational expenses for the twelve-month period ended July 31<sup>st</sup>, 2012, as compared to \$744,268.66 for the same period last year.

**Fourth Quarter 2012 Results**

The period ended July 31<sup>st</sup>, 2012 shows a net loss of \$878,287 and working capital of \$367,279.

During the twelve-month period ended July 31<sup>st</sup>, 2012, office expenses increased by \$7,595.17 compared to the same period for last year.

Travel expenses increased by \$7011.62 compared to the same period for last year.

Advertising and promotional expenses increased by \$155,617.13 compared to that of last year. The Company participated in several conferences in Vancouver BC and Toronto ON as well as media interviews, banner advertisements and magazine advertisements.

Legal expenses decreased by \$24,828.50 from last year because there were no out of the ordinary legal dispute matters.

Investor Relations increased by \$30,000 from last year because the Company engaged this service for a longer duration in 2012.

Consulting and professional expenses decreased by \$5,350 from last year.

Exchange and Transfer Agent fees decreased by \$12,428.56 (from last year because there was only one financing for this period as opposed to five financings last year.

Shareholders Communications increased by \$9,995.25 from last year because of AGM mailings and other communications

The Company wrote off \$24,000 for the Rose Lake, BC soda ash property because the claim was not renewed this year and \$175,647.19 for the Karolina Chile Lithium Property (Salar de Aguas Calientes) property because the claims were not renewed because of environmental issues that prohibited exploration on this property.

All other expenses were incurred in the normal course of business operations.

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| <b>Twelve-month operational expenses</b> | <b>July 2012</b>  | <b>July 2011</b>  |
|--|-------------------|-------------------|
| Office and sundry expenses               | 24,907.45         | 17,312.28         |
| Telephone/Fax                            | 2,457.36          | 2,379.10          |
| Travel                                   | 26,178.23         | 19,166.61         |
| Advertising & Promotion                  | 247,851.44        | 92,234.31         |
| Management & Subcontract Fees            | 120,000.00        | 120,000.00        |
| Legal                                    | 36,821.87         | 61,650.37         |
| Investor Relations                       | 45,000.00         | 15,000.00         |
| Consulting/Professional                  | 23,750.00         | 29,100.00         |
| Accounting/Audit                         | 28,632.61         | 23,173.12         |
| Exchange & Transfer Agent Fees           | 32,129.36         | 44,557.92         |
| Shareholder Communications               | 14,113.14         | 4,117.89          |
| Write down on mineral properties         | 199,647.19        | 187,322.55        |
| Legal Settlement on KAR property claim   | -                 | 53,407.89         |
| Shared-based compensation                | 76,798.82         | 74,846.62         |
|  |                   | -                 |
| <b>Total</b>                             | <b>878,287.47</b> | <b>744,268.66</b> |

**Revenue**

The Company had no producing properties, and consequently no sales or revenues to report.

**Net Income/Loss**

The Company recorded a net loss of (\$878,287) and (0.015) loss per share for the twelve-month period ended July 31<sup>st</sup>, 2012, as compared to a net loss of (\$744,268) and (0.016) loss per share for the same period last year.

**Summary of Quarterly Results**

*(expressed in thousands of Canadian dollars, except per share amounts)*

|                       | <b>Jul 12<br/>IFRS</b> | <b>Apr 12<br/>IFRS</b> | <b>Jan 12<br/>IFRS</b> | <b>Oct 11<br/>IFRS</b> | <b>July 11<br/>IFRS</b> | <b>Apr 11<br/>IFRS</b> | <b>Jan 11<br/>IFES</b> | <b>Oct 10<br/>IFRS</b> |
|-----------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|------------------------|------------------------|------------------------|
| <b>Revenue</b>        | 0                      | 0                      | 0                      | 0                      | 0                       | 0                      | 0                      | 0                      |
| <b>Net Loss</b>       | (878)                  | (511)                  | (232)                  | (139)                  | (577)                   | (529)                  | (406)                  | (328)                  |
| <b>Loss per Share</b> | (0.015)                | (0.01)                 | (0.00)                 | (.008)                 | (0.016)                 | (0.01)                 | (0.01)                 | (0.008)                |

**Selected Annual Information**

Revenue, net loss, diluted loss per common share, total assets and total long-term liabilities for the year ended July 31, 2012, with the year ended July 31, 2011 and with the year ended July 31, 2010 were as follows (in thousands of Canadian dollars except for shares):

|  | <b>IFRS</b> | <b>IFRS</b> | <b>IFRS</b> |
|--|-------------|-------------|-------------|
|  |             |             |             |

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|                                     | <b>2012</b> | <b>2011</b> | <b>2010</b> |
|-------------------------------------|-------------|-------------|-------------|
|                                     | \$          | \$          | \$          |
| Total Revenue                       | 0           | 0           | 0           |
| Total Assets                        | 1,201       | 1,036       | 755         |
| Total Long Term Liabilities         | 0           | 0           | 0           |
| Net Income and comprehensive (loss) | (878)       | (577)       | (691)       |
| Net Income (loss) per share basis   | (0.015)     | (0.016)     | (0.021)     |
| Net Income (loss) per share diluted | (0.015)     | (0.016)     | (0.021)     |

The Company had no producing properties, and consequently no sales or revenues to report.

The Company incurred a total net loss of (\$878,287) for this reporting period. The loss per share, basic and diluted was (0.015). The Company had assets of \$1,202,028 of which \$531,447 came from cash, receivables, and pre-paid expenses. The Company's mineral property acquisition assets comprise of \$72,884.42 for the 100% acquisition of the Vines Lake Mineral Property in the Cassiar district of British Columbia and \$60,000 in cash payments and shares issuance on the Quatre Milles (Graphite) Quebec Property. There was also a total of \$536,697.59 in deferred exploration costs, \$463,560.72 of which related to work done on the Vines Lake property in 2010/2011/12 and \$73,136.97 for the 43-101 technical report and mapping/sampling work done on the Quatre-Milles property in Quebec.

### **SHARE CAPITAL**

#### **Disclosure of outstanding shares data**

During the current fiscal year, the Company completed the following issuances:

- a) Authorized - Unlimited number of common shares without par value
- b) Issued and outstanding:

#### **Share Capital**

As at July 31<sup>st</sup>, 2012, the Company had 66,439,145 common shares outstanding and 81,897,345 on a fully diluted basis.

| <b>Category</b>                            | <b>Shares</b>     |
|--|-------------------|
| Common shares without par value            | 66,439,145        |
| Share Options                              | 4,625,000         |
| Share Warrants                             | 10,833,200        |
| <b>Balance, July 31<sup>st</sup>, 2012</b> | <b>81,897,345</b> |

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| Description   | July 31 <sup>st</sup> , 2012 |                      |
|---|------------------------------|----------------------|
|   | Number of<br>Shares          | Amount<br>\$         |
| Issued shares                                       |                              |                      |
| <b>Balance, beginning of period (July 31, 2011)</b> | <b>55,518,445</b>            | <b>16,786,673.00</b> |
| Private placement                                   | 9,033,200                    | 903,320.00           |
| Warrants issued                                     |                              | (412,877.00)         |
| Broker rights exercised                             | 350,000                      | 28,000.00            |
| Share issue costs                                   |                              | (80,040.00)          |
| Warrants exercised                                  | 387,500                      | 46,500.00            |
| Valuation allocation on exercise of warrants        |                              | 17,525.00            |
| Options exercised                                   | 150,000                      | 18,000.00            |
| Valuation allocation on exercise of options         |                              | 10,639.00            |
| Shares issued for property                          | 1,000,000                    | 35,000.00            |
| <b>Balance, July 31<sup>st</sup>, 2012</b>          | <b>66,439,145</b>            | <b>17,352,740.00</b> |

**Warrants**

As of July 31<sup>st</sup>, 2012, 4,937,500 warrants were expired.

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.

The following table summarized information relating to share purchase warrants outstanding and exercisable as at July 31<sup>st</sup>, 2012.

| Number of<br>Warrants | Grant date<br>Fair Value | Exercisable<br>Price | Expiry<br>Date |
|-----------------------|--------------------------|----------------------|----------------|
| 1,375,000             | 89,127                   | .12                  | May 11, 2013   |
| 425,000               | 13,533                   | .12                  | June 28, 2013  |
| 9,033,200             | 412,877                  | .15                  | March 1, 2013  |

| Date<br>Issued            | Number<br>Issued  | Exercise<br>Price | Weighted<br>Average | Grant date<br>Value | Expiry<br>Date |
|---------------------------|-------------------|-------------------|---------------------|---------------------|----------------|
| Balance, July 31, 2011    | 7,125,000         |                   | \$0.11              | \$295,753           |                |
| Warrants issued           | 9,033,200         | \$0.15            | \$0.15              | \$412,877           | March 1, 2013  |
| Warrants expired          | (4,937,500)       |                   | \$0.11              | (\$175,563)         |                |
| Warrants exercised        | (387,500)         |                   | \$0.12              | (\$17,525)          |                |
| <b>Bal. July 31, 2012</b> | <b>10,833,200</b> |                   | <b>\$0.15</b>       | <b>\$515,536</b>    |                |

The weighed average remaining contractual life of the warrants as at July 31, 2012 is .62 years.

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**Liquidity and Capital Resources**

As at July 31<sup>st</sup>, 2012, the Company's cash and accounts receivable position was \$431,375 compared to \$497,880 for the same period last year. The Company's working capital surplus is \$467,350.

**Financing Activities**

On March 1, 2012, the Company completed a private placement of \$823,280 (net of share issue costs of (\$80,040) by issuing 9,033,200 common shares and warrants in the capital of the Company. The common shares were issued at \$0.10 per share. Each warrant is exercisable at a price of \$0.15 for a period of one year. The proceeds of the offering will be used for exploration purposes and for general operational expenses.

The Company has a total of 4,625,000 options and a total of 10,833,200 warrants outstanding as of July 31<sup>st</sup>, 2012.

**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 five percent of the total number of issued and outstanding shares on a non-diluted basis.

The following table summarizes the stock options outstanding and exercisable as at July 31<sup>st</sup>, 2012

The Company granted 200,000 incentive stock options priced at \$0.10 each to directors and a consultant on July 2<sup>nd</sup>, 2008, exercisable until July 2<sup>nd</sup>, 2013.

The Company granted 1.3 million incentive stock options priced at \$0.12 each to directors and a consultant on September 3<sup>rd</sup>, 2009, exercisable until September 2<sup>nd</sup>, 2014.

The Company granted 700,000 incentive stock options priced at \$0.10 each to directors on November 30<sup>th</sup>, 2009, exercisable until November 30<sup>th</sup>, 2014.

The Company granted 400,000 incentive stock options priced at \$0.12 each to consultants and a director on February 17<sup>th</sup>, 2010 of which 150,000 options were exercised on April 3<sup>rd</sup>, 2012. The remaining options are exercisable until February 17<sup>th</sup>, 2015.

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The Company granted 950,000 incentive stock options priced at \$0.10 each to directors and a consultant on February 8<sup>th</sup>, 2011, exercisable until February 8<sup>th</sup>, 2016.

On August 8<sup>th</sup>, 2011, 350,000 incentive stock options were granted to the crew of the Vines Lakes exploration crew at an exercise price of \$0.10. They are fully vested and expire on August 7<sup>th</sup>, 2016.

On February 13<sup>th</sup>, 2012, 775,000 incentive stock options priced at \$0.10 each were granted to consultants and exercisable until February 13, 2014.

On June 1<sup>st</sup>, 2012, 100,000 incentive stock options priced at \$0.10 each were granted to a consultant and exercisable until June 1<sup>st</sup>, 2017.

The Options were granted under the Company's Stock Option Plan.

| Number of Options | Exercise Price | Expiry Date                   |
|-------------------|----------------|-------------------------------|
| 200,000           | 0.10           | July 2, 2013                  |
| 1,300,000         | 0.12           | September 3, 2014             |
| 700,000           | 0.10           | November 30, 2014             |
| 250,000           | 0.12           | February 17, 2015             |
| 950,000           | 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                  |
| <b>4,625,000</b>  | <b>0.11</b>    | <b>Balance, July 31, 2012</b> |

The weighted average remaining contractual life of options outstanding at July 31<sup>st</sup>, 2012 is 2.14 years.

Share option transactions for the period ended July 31, 2012 were as follows:

|                               | Number of Options | Weighted Average Exercise Price |
|-------------------------------|-------------------|---------------------------------|
| <b>Options outstanding,</b>   |                   |                                 |
| Balance as of July 31, 2011   | 4,390,000         | \$ 0.11                         |
| Adjustment of Bal. Fwd. (Q3)  | 200,000           |                                 |
| Issued                        | 1,225,000         | \$ 0.10                         |
| Options exercised             | (150,000)         |                                 |
| Options expired               | (1,040,000)       |                                 |
| <b>Balance, July 31, 2012</b> | <b>4,625,000</b>  | <b>\$ 0.11</b>                  |

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During the twelve month period ended July 31<sup>st</sup>, 2012, share-based compensation expense of \$76,799 (2011 - \$74,847) was recorded. The weighted average fair value of the share-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 Yrs | Expected Volatility | Fair Value per option |
|----------------|------------|-------------|----------------|-------------------------|----------------------|---------------------|-----------------------|
| 350,000        | 8/8/2011   | 8/8/2016    | \$0.10         | 1.54%                   | 1.69                 | 199.41%             | 0.05                  |
| 775,000        | 2/13/2012  | 2/13/2014   | \$0.10         | 1.11%                   | 1.69                 | 144.77%             | 0.07                  |
| 100,000        | 6/1/2012   | 6/1/2017    | \$0.10         | 1.13%                   | 1.69                 | 196.32%             | 0.07                  |

**Other MD&A Requirements**

As at July 31<sup>st</sup>, 2012, the Company had a total of 82,297,345 shares on a fully diluted basis. If the Company were to issue 15,458,200 shares upon the conversion of all of its outstanding warrants and options, it would raise a total of \$2,064,480.

As of this period, the Company has sufficient funds to pay for 5 months of operating expenses. The Company will endeavour to raise further capital in the future to fund its exploration work on the Quatre Milles QC Property and for its on-going operational expenses.

**Off Balance Sheet Arrangements**

The Company is not a party to any off balance sheet arrangements or transactions.

**Related Party Transactions**

During the twelve-month period ended July 31<sup>st</sup>, 2012, the Company entered into the following transactions with related parties:

The Company paid \$60,000 in management fees to a company controlled by Paul Gill, President and CEO.

The Company paid \$60,000 in management fees to a company controlled by Jacqueline Michael, CFO.

The Company paid \$2,800 in consulting fees to a company controlled by Garth Kirkham, a former director who resigned from the Board on November 7, 2011.

The above fees were in the normal course of operations and measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

**Commitments and Contingencies**

As at July 31, 2012, the Company held a total of \$413,796 in cash and cash equivalents, including \$129,867 cash restricted for exploration on the Quatre-Milles Property under the mineral property acquisition.

On December 28, 2011, the Company signed a property acquisition agreement with Zimtu Capital

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Corp. and one of their prospecting partners (the "Vendors") to acquire 100% interest in the Quatre-Milles Property in Quebec. In addition to the cash paid and share capital issued as at July 31, 2012 as outlined in the agreement, the Company is also required to:

- Pay \$25,000 in cash and issue 500,000 common shares pro rata to the Vendors six months from TSX-V acceptance of the Agreement (September 26, 2012).
- Issue 1,000,000 common shares pro rata to the Vendors twelve months from TSX-V acceptance of the Agreement (March 26, 2013).
- Issue 1,500,000 common shares pro rata to the Vendors twenty-four months from TSX-V acceptance of the Agreement (March 26, 2014).
- Retain Consul-Teck Mineral Exploration Consultants, of Val d'Or, Quebec as consultants with respect to exploration on the property during the period which is twelve months from TSX-V acceptance (March 26, 2013).
- Complete a minimum of \$200,000 of exploration on the Property during the period which is twelve months from the TSX-V acceptance (March 26, 2013).

As at July 31, 2012, \$73,137 of exploration expenditures had been incurred, leaving a balance of \$126,863 to be incurred on or before March 26, 2013. In the event the Company does not complete 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.

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.

### **Outlook**

The Company completed phase 2 of its 2012 summer exploration program on its 100% fully owned Vines Lake property in the Cassiar district of BC. The program was designed to target both potentially high-grade gold vein systems, as seen at the adjacent Table Mountain Mine, in addition to the prospect of intrusion related mineralization and explore follow-up targets resulting from the geological mapping, geochemical and ground geophysical surveys resulting from Phase I.

Due to the property's close proximity to formerly producing mines with a proven history in the Cassiar Mining Camp, it is the opinion of the company that potential exists on the Vines Lake Property for discovering new high-grade gold vein systems. Also, there is a potential for other intrusion related mineralization in proximity to the Cassiar Batholith and its associated boundary contacts, over which Lomiko's Vines Lake property claims are located.

The Company aims to expand its mineral properties and has entered into an acquisition agreement with Zimtu Capital to acquire the Quatre Milles Graphite property in Quebec over a two year period and has paid \$50,000 and has issued 1.5 million shares of the total of 4 million shares to be issued to the vendor over a 2 year period. The property is located in southwestern Quebec. The Company has completed a 43-101 report on the Quatre-Milles property through Consul-Teck. The report is a compilation of all historical information related to the Quatre Milles property including previous drilling. Jean-Sebastien Lavallée, P. Geo is the Qualified Person who wrote the report.

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In May 2012, the Company sort to add to the Quatre-Milles property and signed a letter of agreement with three vendors to acquire a 100%-interest in the 2,180 hectare Quatre Milles West Property, located in southern Quebec. This property acquisition is pending Exchange approval. The Quatre Milles West Property covers the western extension of the geology that hosts the drilled graphite bearing structures at the Company's Quatre Milles Property. The combined property now covers two separate claim blocks, one 8 km by 7 km, and the other 7 km by 5 km, which brings the expanded Quatre Milles Property from approximately 1,600 hectares to 3,780 hectares.

The company completed mapping/sampling work on Quatre-Milles and completed diamond drilling of 23 holes on the property in 2012. The results of the drilling project showed large flake Graphite near surface mineralization. The significant results bodes well for the concept of a near-surface, open pit scenario. Phase II will require 50 additional holes to further test the property.

The Company is continually involved in the ongoing process of identification and evaluation of new properties that can achieve the corporate objectives for near to long term growth.

**Internal disclosure controls and procedures**

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company. Due to its small size of operations, there is lack of segregation of duties within the Company's internal control systems. It is unlikely that segregation of duties can be properly addressed until the Company grows to a significant size. In order to compensate for the weaknesses in its internal control systems, the management has hired experienced consultants in assisting with the financial reporting and disclosures process. With the implementation of these compensating controls, the management has evaluated and believed that its disclosure controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

On behalf of the Board,

"Paul Gill"

Paul Gill, President & CEO