

**LOMIKO METALS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2009 and 2008

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Porter Héту  
International  
Professional Services Group

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B.M. Galloway\*  
E.A. Botteselle\*  
B.R. Blamey\*  
D.P. Van Gruen\*  
R.E. Biedka  
*\*Professional Corporation*

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## AUDITORS' REPORT

### To the Shareholders of Lomiko Metals Inc.

We have audited the consolidated balance sheets of Lomiko Metals Inc. as at July 31, 2009 and 2008 and the consolidated statements of operations and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2009 and 2008 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Certified General Accountants  
Vancouver, BC  
September 21, 2009

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Maple Place  
Professional Centre  
300-2000 West 12th Avenue  
Vancouver, B.C. V6J 2G2  
Tel: 604-736-6581  
Fax: 604-736-0152  
support@porterhetu.com  
www.porterhetu.com

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**LOMIKO METALS INC.**  
CONSOLIDATED BALANCE SHEETS  
July 31, 2009 and 2008

	2009	2008
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 72,119	362,403
Accounts receivable and advances	6,976	51,286
Prepaid expenses	5,250	-
	<u>84,345</u>	<u>413,689</u>
<b>Mineral Properties</b> (Note 4)	<b>175,971</b>	<b>588,088</b>
	<b>\$ 260,316</b>	<b>1,001,777</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 11,189	12,691
	<u>11,189</u>	<u>12,691</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
<b>Capital Stock</b> (Note 5)	<b>15,210,269</b>	<b>14,747,069</b>
<b>Contributed Surplus</b>	<b>36,000</b>	<b>36,000</b>
<b>Deficit</b>	<b>(14,997,142)</b>	<b>(13,793,983)</b>
	<u>249,127</u>	<u>989,086</u>
	<b>\$ 260,316</b>	<b>1,001,777</b>

**Nature of Operations** (Note 1)

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.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

For the Years Ended July 31, 2009 and 2008

	2009	2008
<b>Expenses</b>		
Consulting fees	\$ 103,930	\$ 37,306
Finders fees and commissions	17,960	-
Investor relations	78,558	15,746
Management fees	140,000	30,000
Office and miscellaneous	16,824	4,614
Professional fees	58,510	27,435
Regulatory and trust company fees	48,965	35,795
Write-down of mineral property acquisition and exploration costs	738,412	-
	<u>1,203,159</u>	<u>150,896</u>
<b>Operating Loss</b>	<b>(1,203,159)</b>	<b>(150,896)</b>
<b>Other</b>		
Interest income	-	20,040
<b>Net Loss</b>	<b>(1,203,159)</b>	<b>(130,856)</b>
<b>Deficit, Beginning of Year</b>	<b>(13,793,983)</b>	<b>(13,663,127)</b>
<b>Deficit, End of Year</b>	<b>\$ (14,997,142)</b>	<b>(13,793,983)</b>
<b>Basic and Diluted Loss Per Common Share</b>	<b>\$ <u>(0.040)</u></b>	<b><u>(0.006)</u></b>
<b>Weighted Average Number of Shares Outstanding</b> (2008 restated for effect of stock split)	<b><u>30,008,792</u></b>	<b><u>23,465,192</u></b>

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

# LOMIKO METALS INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended July 31, 2009 and 2008

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Income (loss) for the year	\$ (1,203,159)	(130,856)
Items not involving cash:		
Mineral property costs written off	<u>738,412</u>	<u>-</u>
	(464,747)	(130,856)
Changes in non-cash working capital items:		
Accounts receivable	44,310	(48,355)
Prepaid expenses	(5,250)	186
Accounts payable	(1,502)	5,279
	<u>(427,189)</u>	<u>(173,746)</u>
<b>Cash Flows from Financing Activities</b>		
Shares issued	463,200	823,100
	<u>463,200</u>	<u>823,100</u>
<b>Cash Flows from Investing Activities</b>		
Investment in mineral properties	(326,295)	(355,919)
	<u>(326,295)</u>	<u>(355,919)</u>
<b>Increase (decrease) in Cash</b>	<b>(290,284)</b>	<b>293,435</b>
<b>Cash, Beginning of Year</b>	<b>362,403</b>	<b>68,968</b>
<b>Cash, End of Year</b>	<b>\$ 72,119</b>	<b>362,403</b>
<b>Supplemental Information</b>		
Resource properties acquired by the issuance of shares	\$ <u>-</u>	<u>99,500</u>

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

# LOMIKO METALS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2009 and 2008

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### 1 Nature of Business and Going Concern

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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. 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. 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's ability to continue as a going concern is dependent upon successful completion of additional financing, continuing support of directors, the ability to continue to raise adequate financing or achieving profitable operations in the future, the outcome of which cannot be predicted at this time. These 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.

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### 2 Change of Name

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On October 3, 2008 the Company changed its name from Lomiko Resources Inc. to Lomiko Metals Inc.

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### 3 Significant Accounting Policies

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#### **Principles 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, U.S.A.

#### **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimate as additional information becomes available in the future.

#### **Financial Instruments**

The Company's cash is classified as held-for trading. Accounts receivables are classified as loans and receivables. Accounts payable are classified as other financial liabilities.

#### **Resource Properties**

Resource property acquisition costs are capitalized until the viability of the mineral interest is determined. Exploration costs are capitalized and tested annually for impairment.

# LOMIKO METALS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2009 and 2008

### 3 Significant Accounting Policies (Continued)

#### **Stock Based Compensation**

Stock options granted to non-employees are accounted for using the fair value-based method of accounting. In respect of stock options granted to employees and directors, the Company has elected to adopt the intrinsic value based method of accounting, which recognizes compensation expense only when the market price exceeds the exercise price at the date of grant, but which requires pro-forma disclosure of net loss as if these grants were accounted for using the fair value method. Consideration paid on the exercise of stock options is credited to share capital. Stock based compensation is credited to contributed surplus.

#### **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. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. In computing diluted loss per share, no shares were added to the weighted average number of common shares outstanding during the years ended July 31, 2009 and 2008 for dilutive effect of stock options and warrants as they were all anti-dilutive. No adjustments were required to reported loss from operations in computing diluted per share amounts.

#### **Translation of Foreign Currencies**

Foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Income and expense transactions denominated in foreign currencies are translated at exchange rates prevailing at the transaction dates. Gains or losses arising on foreign currency translation are recorded in the statement of loss and deficit.

#### **Income Taxes**

Future income tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities, measured using substantively enacted tax rates and laws expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized in operations in the period that includes the substantive enactment date. A valuation allowance is recognized to the extent that it is more likely than not that future income tax assets will not be realized.

# LOMIKO METALS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2009 and 2008

### 4 Mineral Properties

	<u>2009</u>	<u>2008</u>
The carrying values of the company's resource properties are as follows:		
<b>Vines Lake Property - Cassiar Mining District</b>	<b>\$ 135,971</b>	125,648
<b>Joss'alun Copper Property Option</b>		
Cassiar Mining District - abandoned during the year	-	94,971
<b>Nak Property Option</b>		
Cassiar Mining District - abandoned during the year	-	186,429
<b>Paleosands Petroleum Property - Saskatchewan</b>		
- abandoned during the year	-	181,040
<b>Karolina Property - Chile</b>		
50% interest in 9 claims making up 1,900 hectares of Salar de Aguas Calientes. The company entered into an agreement with the owner of the other 50% of the property to acquire exclusive rights to develop and exploit the claims. Under the terms of the agreement the company paid a \$10,000 deposit during the year and has committed to pay an additional \$40,000 and issue 1,000,000 common shares at a deemed value of \$0.065 per share.	<u>40,000</u>	<u>-</u>
	<u><b>\$ 175,971</b></u>	<u>588,088</u>

# LOMIKO METALS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2009 and 2008

### 5 Capital Stock

#### Common Shares

The maximum number of common shares that the company is authorized to issue is unlimited.

	<u>2009</u>		<u>2008</u>	
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>
<b>Issued and fully paid</b>				
Balance beginning of year	6,362,028	\$ 14,747,069	3,085,028	\$ 13,824,469
<b>Issued for cash</b>				
on exercise of warrants	500,000	160,000	1,077,000	323,100
private placements	758,000	303,200	2,000,000	500,000
<b>Issued for interests in properties</b>	-	-	200,000	99,500
<b>4 for 1 split</b>	<u>22,860,084</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>30,480,112</u>	<u>\$ 15,210,269</u>	<u>6,362,028</u>	<u>\$ 14,747,069</u>

Of the common shares issued, 1,678,332 are held in escrow to be released on the basis of cash flow from operations.

The company has issued options and warrants to purchase up to 3,016,000 shares at a weighted average exercise price of \$0.122 each. The options expire on various dates, from November 16, 2011 through August 26, 2013.

### 6 Related Party Transactions

During the year, in the normal course of operations, the company paid or accrued as payable \$140,000 in management and other fees to companies controlled by directors.

### 7 Contingent Liabilities

A legal claim has been made against the Company for breach of contract, misrepresentation and negligence for \$78,624 plus general damages of \$100,000, punitive damages of \$50,000 plus interest and costs. The Company has filed a counter claim of \$78,195 plus interest and costs. The outcome of these claims is not determinable and no provision has been made in the financial statements.

# LOMIKO METALS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2009 and 2008

### 8 Income Taxes

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 \$2,099,572.

The losses expire as follows:

2010	580,160
2014	802,097
2015	12,827
2027	110,806
2028	130,858
2029	<u>\$ 462,824</u>
	<u>\$ 2,099,572</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.

### 9 Subsequent Events

On August 31, 2009, the company closed a private placement, issuing 8,333,333 units, consisting of 1 common share and one and a half share purchase warrants, for gross proceeds of \$.12 per unit. In connection with the private placement the company issued 833,333 share purchase options, exercisable at \$.12 each and 416,667 share purchase warrants, exercisable at \$.20 each. The common shares were issued from treasury stock.

On September 3, 2009 the company announced a commitment to issue 1,300,000 share purchase options, exercisable at \$.12 each, to directors and consultants.

### 10 Financial Instruments

#### Fair Value

The carrying value of cash, accounts receivable and accounts payable and accruals approximates their fair value because of the short-term nature of these instruments.

#### Risk

The Company is not subject to significant credit, interest rate or foreign currency exchange risk from its financial instruments.