LOMIKO METALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2011 and 2010

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lomiko Metals Inc.

We have audited the consolidated statements of financial position of Lomiko Metals Inc. as at July 31, 2011 and July 31, 2010 and August 1, 2009 and the consolidated statements of comprehensive loss, changes in equity and cash flows for each of the years ended July 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Galloway Botteselle & Company

CERTIFIED GENERAL ACCOUNTANTS

Vancouver, BC
November 28, 2011

LOMIKO METALS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian Dollars

		July 31 2011	July 31 2010	August 1 2009
ASSETS				
Current				
Cash and cash equivalents (Note 5)	$	**476,531**	194,196	72,119
Accounts receivable and advances		**21,349**	16,382	6,976
Prepaid expenses		**26,809**	24,008	5,250
		524,689	234,586	84,345
Interests in mineral properties (Note 6)		**511,029**	519,941	175,971
	$	**1,035,718**	754,527	260,316
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**48,078**	39,675	11,190
		48,078	39,675	11,190
SHAREHOLDERS' DEFICIENCY				
Capital stock (Note 7 a)		**16,786,673**	16,140,217	15,128,860
Warrants (Note 7 b)		**295,753**	142,375	63,449
Stock-based payment reserve (Note 7 c)		**254,936**	201,367	134,729
Deficit		**(16,349,722)**	(15,769,107)	(15,077,912)
		987,640	714,852	249,126
	$	**1,035,718**	754,527	260,316

Nature of operations (Note 1)
Contingencies and subsequent events (Note 10 and 14)

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 COMPREHENSIVE LOSS
Expressed in Canadian Dollars
For the Years Ended July 31, 2011 and 2010

	2011	2010
Expenses		
Consulting fees	**$ 48,267**	$ 124,793
Investor relations	**111,352**	170,989
Management fees	**120,000**	127,500
Office and miscellaneous	**20,150**	22,757
Professional fees	**84,823**	137,900
Regulatory and trust company fees	**44,558**	48,185
Stock-based compensation	**74,847**	201,367
Write-down of mineral property acquisition and exploration costs (Note 13)	**240,730**	-
	744,727	833,491
Operating loss	**(744,727)**	(833,491)
Interest income	**459**	1,291
Net loss from operations	**(744,268)**	(832,200)
Other comprehensive income		
Expired options and warrants	**163,653**	141,005
Net loss and comprehensive loss	**(580,615)**	(691,195)
Deficit, beginning of year	**(15,769,107)**	(15,095,872)
Prior period adjustment (Note 12)	**-**	17,960
As restated	**(15,769,107)**	(15,077,912)
Deficit, end of year	**$ (16,349,722)**	(15,769,107)
Basic and diluted loss per common share (Note 9)	$ (0.016)	(0.021)
Weighted average number of shares outstanding	47,565,568	40,041,517

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

LOMIKO METALS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Expressed in Canadian Dollars
As at July 31, 2011

	Share Capital	Warrants	Share-based payment reserve	Deficit	Total
Balance at August 1, 2009	$ 15,128,860	63,449	134,729	(15,077,912)	249,126
Exercise of warrants	141,875	-	-	-	141,875
Valuation allocation on exercise of warrants	47,503	(47,503)	-	-	-
Warrants expired	-	(15,946)	-	15,946	-
Exercise of options	12,000	-	-	-	12,000
Valuation allocation on exercise of options	9,670	-	(9,670)	-	-
Options expired	-	-	(125,059)	125,059	-
Private placement	857,625	142,375	-	-	1,000,000
Shares issued for property	79,000	-	-	-	79,000
Stock options issued	-	-	201,367	-	201,367
Share issue costs	(136,316)	-	-	-	(136,316)
Net loss for the period	-	-	-	(832,200)	(832,200)
Balance, July 31, 2010	16,140,217	142,375	201,367	(15,769,107)	714,852
Private placement	1,000,000	-	-	-	1,000,000
Warrants issued	(295,753)	295,753	-	-	-
Warrants expired	-	(142,375)	-	142,375	-
Stock options issued	-	-	74,847	-	74,847
Stock options cancelled	-	-	(21,278)	21,278	-
Share issue costs	(57,791)	-	-	-	(57,791)
Net loss for the period	-	-	-	(744,268)	(744,268)
Balance, July 31, 2011	$ 16,786,673	295,753	254,936	(16,349,722)	987,640

LOMIKO METALS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in Canadian Dollars
For the Years Ended July 31, 2011 and 2010

		2011	2010
Cash flows from operating activities			
Income (loss) for the year	**$**	**(580,615)**	(691,195)
Items not involving cash:			
Mineral property costs written off		**187,323**	-
Expired warrants		**(163,653)**	(141,005)
Stock-based compensation		**74,847**	201,367
		(482,098)	(630,833)
Changes in non-cash working capital items:			
Accounts receivable		**(4,967)**	(9,406)
Prepaid expenses		**(2,801)**	(18,758)
Accounts payable		**8,403**	28,485
		(481,463)	(630,512)
Cash flows from financing activities			
Shares issued		**942,209**	1,017,559
		942,209	1,017,559
Cash flows from investing activities			
Investment in mineral properties		**(178,411)**	(264,970)
		(178,411)	(264,970)
Increase (decrease) in cash		**282,335**	122,077
Cash, beginning of year		**194,196**	72,119
Cash, end of year	**$**	**476,531**	194,196
Supplemental information			
Resource properties acquired by the issuance of shares	$	-	79,000

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

1 Nature of business and going concern

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

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

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 verity 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 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. The consolidated financial statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2 Basis of preparation and adoption of IFRS

Statement of compliance
These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

These are the Company's first IFRS annual financial statements for the year ending July 31, 2011. The Company's transition date for converting to IFRS was August 1, 2009 (the "Transition Date"). The comparative statements of financial position as at July 31, 2010, comparative statements of comprehensive loss for the year ended July 31, 2010, comparative statements of changes in equity and comparative statements of cash flows for the year ended July 31, 2010 have been restated in accordance with IFRS. The guidance for the first time adoption of IFRS is set out in IFRS 1, First-Time Adoption of IFRS, and has been applied. The impact of the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS is explained in Note 16.

2 Basis of preparation and adoption of IFRS (cont.)

The accounting policies set out below have been applied consistently to all periods presented in preparing the opening balance sheet at August 1, 2009 (Note 16) for purposes of transition to IFRS. The accounting policies have been applied consistently by the Company.

Basis of measurement
The consolidated financial statements 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 judgments, estimates and assumptions that affect the application of policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

3 Significant accounting policies

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.

3 Significant accounting policies (cont.)

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. 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.

3 Significant accounting policies (cont.)

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.

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.

3 Significant accounting policies (cont.)

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 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 probably 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.

3 Significant accounting policies (cont.)

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.

IAS 27, Separate Financial Statements has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and

IAS 28, Investments in Associates and Joint Ventures has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

4 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.

Expressed in Canadian Dollars

4 Critical accounting estimates and judgments (cont.)

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.

5 Cash and cash equivalents

		July 31 2011	July 31 2010	August 1 2009
Cash	$	473,527	94,196	79,119
Cash equivalents		3,004	100,000	-
		476,531	194,196	79,119
Restricted cash	$	224,589	-	-

As at July 31, 2011, the Company held a total of $476,531 in cash and cash equivalents, including $224,589 in restricted cash committed to qualifying exploration expenditures under flow-through share agreements.

Expressed in Canadian Dollars

6 Interests in mineral properties

The following table shows the exploration and evaluation assets

		July 31, 2011	Additions (Write down)	July 31, 2010	Additions (Write down)	August 1, 2009
Vines Lake	$	311,382	175,411	135,971	-	135,971
Karolina		175,647	3,000	172,647	132,647	40,000
Alkali Lake		-	(187,323)	187,323	187,323	-
Rose Lake		24,000	-	24,000	24,000	-
	$	511,029	(8,912)	519,941	343,970	175,971

Vines Lake Property - Liard Mining District, BC
In March 2006, the Company acquired 100% interest in 3 claims comprising approximately 1,169 hectares ("Ha") in Liard Mining District of British Columbia, subject to a 2% net smelter return ("NSR") in favour of Mr. Amrit P.S. Gill, a director of the Company.

Karolina Property - Chile
The Company has acquired exclusive rights to develop 100% of 1,900 hectares of Chilean mineral claims located in the Aguas Calientes Salar, II Region, Chile.

Alkali Lake Nevada Property - US
The company, in conjunction with its subsidiary Lomiko USA LLC, located and staked 552 lode claims in the Alkali Valley of Nevad in October 2009. The property was abandoned in August 2010.

Rose Lake 70 Mile House, BC - Canada
The Company acquired 100% interest in EVA and PLAYA claims making up 222 Ha and 222 Ha respectively of semi-evaporitic lakes know as Rose Lake and Cunningham Lake near 70 Mile House, B.C. The two claims were subject to and automatic forfeiture subsequent to year end (Note14).

7 Capital stock

(a) Common shares

Authorized:
Unlimited number of common shares without par value

Issued and fully paid:

	2011	2010
Number of common shares		
Balance beginning of year	41,268,445	30,480,112
Issued for cash		
on exercise of options	-	120,000
on exercise of warrants	-	1,135,000
private placements	14,250,000	8,333,333
Issued for interests in properties	-	1,200,000
Balance, end of year	55,518,445	41,268,445

Expressed in Canadian Dollars

7 Capital stock (cont.)

On November 2, 2010, the company completed a private placement of $150,000 by issuing 3,000,000 common shares and 1,500,000 warrants in the capital of the Company. The common shares were issued at $.05 per share. Each warrant is exercisable at a price of $.10 for a period of one year.

On January 25, 2011, the company completed a private placement of $150,000 by issuing 2,500,000 common shares and 1,250,000 warrants in the capital of the Company. The common shares were issued at $.06 per share. Each warrant is exercisable at a price of $.10 for a period of one year.

On March 4, 2011, the company completed a private placement of $400,000 by issuing 5,000,000 flow through common shares and 2,500,000 warrants in the capital of the Company. The flow through common shares were issued at $.08 per share. Each warrant is exercisable at a price of $.12 for a period of one year.

On May 11, 2011, the company completed a private placement of $232,000 by issuing 2,900,000 common shares and 1,450,000 warrants in the capital of the Company. The common shares were issued at $.08 per share. Each warrant is exercisable at a price of $.12 for a period of two years.

On June 28, 2011, the company completed a private placement of $68,000 by issuing 850,000 common shares and 425,000 warrants in the capital of the Company. The common shares were issued at $.08 per share. Each warrant is exercisable at a price of $.12 for a period of two years.

(b) Share purchase warrants

Summary of warrants outstanding at July 31, 2011

Number of warrants	Grant Date Fair value	Exercise price	Expiry Date
1,500,000	$ **50,630**	$ 0.10	November 2, 2011
1,250,000	**36,296**	0.10	January 21, 2012
2,500,000	**101,306**	0.12	March 5, 2012
1,450,000	**93,988**	0.12	May 11, 2013
425,000	**13,533**	0.12	June 28, 2013
7,125,000	$ **295,753**		

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

	Number of Warrants	Weighted Average Exercise price	Grant Date Fair Value
Balance at August 1, 2009	1,516,000	$ 0.125	63,449
Issued	5,416,667	0.200	142,375
Exercised	(1,135,000)	0.125	(47,503)
Expired	(381,000)	0.125	(15,946)
Balance at July 31, 2010	5,416,667	0.200	142,375
Issued	7,125,000	0.110	295,753
Expired	(5,416,667)	0.200	(142,375)
Balance at July 31, 2011	7,125,000	0.110	295,753

Expressed in Canadian Dollars

7 Capital stock (cont.)

(c) Stock options

The Company has established a stock option plan for directors, senior officers, employees, management company employees and consultants (collectively "Eligible Persons") for the Company and its subsidiaries. The purpose of the plan is to give to Eligible Persons, as additional compensation, the opportunity to participate in the success of the Company by granting to such individuals Options to buy shares of the Company at a price not less than the market price prevailing on the grant date less applicable discount, if any, permitted by TSX Policies and approved by the Board.

The option price under each option shall not be less than the discounted market price on the grant date. The expiry date for each option shall be set by the board at the time of issuance and shall not be more than ten years after grant date. Options shall not be assignable (or transferable) by the optionee. The maximum number of shares reserved for issuance under the stock option plan in aggregate shall not exceed 10% of the total number of the Company's issued and outstanding common shares on a non-diluted basis prior to the issuance. The number of shares which may be issuable under the plan within a twelve month period to one optionee shall not exceed 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, 2011

Number of options outstanding	Exercise price	Expiry Date
640,000	$ 0.125	November 16, 2011
200,000	0.100	July 2, 2013
1,300,000	0.120	September 3, 2014
200,000	0.120	February 17, 2015
700,000	0.100	November 30, 2014
950,000	0.100	February 8, 2016
400,000	0.100	May 1, 2012
4,390,000	0.110	

The weighted average remaining contractual life of options outstanding at July 31, 2011 is 2.83 years.
The weighted average exercise price for options that are exercisable at July 31, 2011 amounted to 0.11 per option.

Stock option transactions for the period ended July 31, 2011 were as follows:

	Number of options	Weighted average exercise price
Balance at August 1, 2009	$ 960,000	0.117
Issued	2,500,000	0.114
Exercised	(120,000)	0.100
Balance at July 31, 2010	3,340,000	0.116
Issued	1,350,000	0.100
Cancelled	(300,000)	0.120
Balance at July 31, 2011	$ 4,390,000	0.110

Expressed in Canadian Dollars

7 Capital stock (cont.)

During the year ended July 31, 2011, stock-based compensation expense of $74,847 (2010 - $201,367) was recorded. The weighted average fair value of the stock-based compensation expense has been determined using the Black-Schole option pricing model with the following assumptions:

	2011	2010
Risk free interest rate	2.306%	2.54%
Dividend yield	0	0
Expected volatility	191.903%	204.316%
Expected option life	2 years	2 years

8 Related party transactions

During the year, in the normal course of operations, the company paid $120,000 (2010 - $117,500) in management fees and $8,000 (2010 - $13,653) in consulting fees to companies controlled by directors.

9 Basic and diluted loss per share

The calculation of basic loss per share for the year ended July 31, 2011 was based on the loss attributable to common shareholders of $(744,268) (2010 - $(832,200)) and the weighted average number of common shares outstanding 47,565,568 (2010 - 40,041,517).

Excluded from the calculation of the diluted loss per share for the year ended July 31, 2011 are 4,390,000 stock options and 7,125,000 share purchase warrants (2010 - 3,340,000 stock options and 5,416,667 share purchase warrants)

10 Commitments and contingencies

The Company entered into flow-through share subscription agreements in March 2011 whereby it is committed to incur on or before January 31, 2012, a total of $400,000 of qualifying Canadian Exploration Expenses as described in the Income Tax Act. As at July 31, 2011, $175,411 of the expenditures had been incurred, leaving a balance of $224,589 to be incurred on or before January 31, 2012. The Company is able to continue to incur exploration expenses beyond February 2012. However , it will be subject to a penalty of 4-5% per annum on the balance required to be spent on its exploration work. The Company intends to fulfil its flow-through commitments within the given time constraints.

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

Expressed in Canadian Dollars

11 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 $2,967,614.

The losses expire as follows:

2014	$	802,097
2015		12,827
2027		110,806
2028		130,858
2029		462,824
2030		679,076
2031		769,126
	$	2,967,614

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.

12 Prior period adjustment

The Company discovered that, in its 2009 fiscal year, $17,960 of commission fees paid on a private placement share financing was expensed as finders fees and commissions, instead of being deducted from the proceeds of the share issue. The comparative figures for 2009 have been restated to record the effects of the adjustment. The net loss for the year ended July 31, 2009 was reduced by $17,960 and the basic and diluted loss per share was reduced by $0.001 per share as a result of the adjustment.

13 Write-down of mineral property acquisition and exploration costs

In August 2010, the Company settled a legal dispute over the rights to a mineral property and abandoned its 552 lode claims in Alkali Valley, Nevada. The following shows a breakdown of the total write-down.

Cost of acquisition and exploration	$	187,323
Legal dispute settlement		53,407
Write-down	$	240,730

14 Subsequent events

In August 2011, the Company staked an additional 4,098 hectares (Ha) to the south of the Vines Lake claims. The Company currently holds the right to mineral tenures totaling 5,267 Ha located in the southwestern corner of the Cassiar District.

On August 8, 2011, the Company granted 350,000 incentive stock options to the Vines Lake exploration crew at $0.1 per share for a period of five years from the date of issue.

On October 18, 2011, the Company announced that it has put on hold the Equity Line Financing with Dutchess Opportunity Fund ("Equity Line") previously announced on April 26, 2011. The Company is currently focused on completing its exploration project on its fully owned Vines Lake property in the Cassiar region of BC and requires putting its resources towards this program. The Company is required to file a short form prospectus in all applicable provinces.

In October and November 2011, the Rose Lake and the EVA mineral titles were not renewed and therefore were automatically forfeited.

On November 16, 2011, 640,000 stock options expired without being exercised.

15 Financial instruments

Fair Value
The carrying value of cash and cash equivalents, 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. 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, 2011, the Company had cash and cash equivalents of $476,531 to settle accounts payable and accrued liabilities of $48,078 and the $224,589 remaining qualifying Canadian Exploration Expenses to be incurred from the flow-through share subscription agreement (Note 10).

16 Transition to IFRS

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

As stated in note 2, these are the Company's first consolidated financial statements prepared in accordance with IFRSs. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended July 31, 2011, the comparative information presented in these financial statements for the year ended July 31, 2010 and in the preparation of an opening IFRS statement of financial position at August 1, 2009 (the Company's date of transition).

IFRS 1 "First-time Adoption of International Financial Reporting Standards" (IFRS 1)

IFRS 1 generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle.

16 Transition to IFRS (cont.)

The Company has elected under IFRS 1 to not apply the following:

- IFRS 2, Share-Based Payments, equity instruments which vested before the Company's date of transition to IFRS. The Company elected not to apply IFRS 2 to equity instruments which vested before the Company's date of transition to IFRS.

- IFRS 3, Business Combinations, option to apply retrospectively or prospectively from the Transition Date. The Company elected to apply IFRS 3 prospectively from the Transition Date. The Company did not apply IFRS 3 retrospectively to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying the exemption.

Adjustments on transition to IFRS

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with regard to recognition, measurement and disclosure. While adoption of IFRS did not change the Company's actual cash flows, it resulted in changes to the Company's statement of financial position, statement of comprehensive income or loss and the statement of changes in equity as set out below.

Share-based payments
On transition to IFRS the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options are transferred to deficit on expiry. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

Warrants
On transition to IFRS the Company elected to change its accounting policy for the treatment of warrants whereby amounts recorded for expired warrants are transferred to deficit on expiry. Previously under Canadian GAAP, the Company's policy was to transfer such amounts to contributed surplus.

Full reconciliation to previously reported financial statements

A reconciliation of the above noted changes is included in the following consolidated statements of financial position and consolidated statements of comprehensive loss for the dates noted below. The effects of transition from Canadian GAAP to IFRS on the cash flow are not material; therefore a reconciliation of cash flows has not been presented.

Reconciliation of consolidated statements of financial position as of August 1, 2009

Reconciliation of consolidated statements of financial position as of July 31, 2010

Reconciliation of consolidated statements of comprehensive loss for the year ended July 31, 2010

Expressed in Canadian Dollars

16 Transition to IFRS (cont.)

Reconciliation of consolidated statement of financial position as at August 1, 2009

	GAAP balances	IFRS reclassifications	IFRS
ASSETS			
Cash	$ 72,119	-	72,119
Accounts receivable	6,976	-	6,976
Prepaid expenses	5,250	-	5,250
Interest in mining properties	175,971	-	175,971
	260,316	-	260,316
LIABILITIES			
Accounts payables	11,190	-	11,190
SHAREHOLDERS' DEFICIENCY			
Capital stock	15,192,309	(63,449)	15,128,860
Contributed surplus	36,000	(36,000)	-
Share-based payment reserve	-	134,729	134,729
Warrants	-	63,449	63,449
Deficit	(14,979,183)	(98,729)	(15,077,912)
	249,126	-	249,126
	$ 260,316	-	260,316

Reconciliation of consolidated statement of financial position as at July 31, 2010

	GAAP balances	IFRS reclassifications	IFRS
ASSETS			
Cash	$ 194,196	-	194,196
Accounts receivable	16,382	-	16,382
Prepaid expenses	24,008	-	24,008
Interest in mining properties	519,941	-	519,941
	754,527	-	754,527
LIABILITIES			
Accounts payables	39,675	-	39,675
SHAREHOLDERS' DEFICIENCY			
Capital stock	16,288,868	(148,651)	16,140,217
Contributed surplus	237,367	(237,367)	-
Share-based payment reserve	-	201,367	201,367
Warrants	-	142,375	142,375
Deficit	(15,811,383)	42,276	(15,769,107)
	714,852	-	714,852
	$ 754,527	-	754,527

Expressed in Canadian Dollars

16 Transition to IFRS (cont.)

Reconciliation of consolidated statement of comprehensive loss for the year ended July 31, 2010

	GAAP balances	IFRS reclassifications	IFRS
Expenses			
Consulting fees	$ 124,793	-	124,793
Investor relations	170,989	-	170,989
Management fees	127,500	-	127,500
Office and miscellaneous	22,757	-	22,757
Professional fees	137,900	-	137,900
Regulatory and trust company fees	48,185	-	48,185
Stock-based compensation	201,367	-	201,367
Operating loss	833,491	-	833,491
Interest income	1,291	-	1,291
Net loss from operations	(832,200)	-	(832,200)
Other comprehensive income			
Expired options and warrants	-	141,005	141,005
Net loss and comprehensive loss	(832,200)	141,005	(691,195)