LOMIKO METALS INC.

(An exploration stage company)

CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2015

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lomiko Metals Inc.

We have audited the accompanying consolidated financial statements of Lomiko Metals Inc., which comprise the consolidated statements of financial position as at July 31, 2015 and July 31, 2014, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended July 31, 2015 and 2014, 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, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

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

Galloway Botteselle & Company

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
November 27, 2015

LOMIKO METALS INC.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		July 31, 2015		July 31, 2014
ASSETS				
Current				
Cash and cash equivalents (Note 4)	$	1,360,931	$	4,533,483
Other receivables (Note 5)		58,849		57,881
Prepaid expenses (Note 6)		202,968		123,137
		1,622,748		4,714,501
Non-current				
Investment in associate (Note 7)		191,678		-
Investment in equity securities (Note 8)		2,770,091		50,000
License (Note 9)		259,893		-
Website		8,170		-
Exploration and evaluation advances		-		100,000
Exploration and evaluation assets (Note 10)		3,719,555		1,432,446
		6,949,387		1,582,446
	$	8,572,135	$	6,296,947
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	189,955	$	48,455
Other				
Liability on flow-through share issuance (Note 11)		-		399,465
Deferred tax liability (Note 13		118,560		-
		308,515		447,920
EQUITY				
Share capital (Note 112)		23,040,559		22,377,941
Warrants (Note 12)		1,242,413		842,909
Share based payment reserve (Note 12)		410,430		408,654
Accumulated other comprehensive income		2,301,531		-
Deficit		(18,731,313)		(17,780,477)
		8,363,620		5,849,027
	$	8,572,135	$	6,296,947

Nature of Operations (Note 1)
Commitments and contingencies (Note 20 & 21)
Subsequent event (Note 22)
Approved on behalf of the Board:

"Paul Gill"	"Jacqueline Michael"
Paul Gill - President and Chief Executive Officer	Jacqueline Michael - Chief Financial Officer

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

LOMIKO METALS INC.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ending July 31,

		2015		2014
Expenses				
Advertising and promotion	$	542,226	$	293,214
Consulting fees		100,446		37,815
Management fees (Note 15)		175,000		120,000
Office and miscellaneous		34,754		29,664
Professional fees		241,374		107,699
Regulatory and filing fees		91,669		98,647
Research and development		-		13,167
Shareholder communications		130,863		17,215
Share-based compensation (Note 11)		152,765		155,895
Travel		46,369		27,785
		1,515,466		901,101
Other				
Interest income		23,834		13,045
Flow-through share premium (Note 10)		399,465		71,429
Share of associate loss		(32,397)		-
		390,902		84,474
Loss from operations		(1,124,564)		(816,627)
Unrealized gain on re-measurement of equity investments		2,420,091		-
Deferred tax expense (Note 13)		(118,560)		-
Comprehensive income/(loss) for the year	$	1,176,967	$	(816,627)
Basic and Diluted Income (Loss) Per Share	$	(0.01)	$	(0.01)
Basic and Diluted Weighted Average Common Shares		143,486,539		102,438,559

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

LOMIKO METALS INC.

(An exploration stage company)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common Shares Without Par Value		Warrants Reserve	Share based Payment Reserve	Accumulated Other Comprehensive Income	Deficit	Total Equity
	Shares	Amount					
Balance, July 31, 2013	77,577,001	$17,753,765	$ 173,689	$ 360,970	-	$ (17,117,260)	$ 1,171,164
Issuance of shares in settlement of debt	4,431,755	265,905	-	-	-	-	265,905
Issuance of shares for cash	28,251,180	3,024,280	-	-	-	-	3,024,280
Issuance of shares for resource property	3,300,000	232,500	-	-	-	-	232,500
Issuance of flow through shares for cash	19,973,231	2,197,055	-	-	-	-	2,197,055
Share issue costs	-	(683,145)	-	-	-	-	(683,145)
Warrants issued	-	(752,426)	752,426	-	-	-	-
Broker warrants	-	(90,484)	90,484	-	-	-	-
Warrants exercised	2,020,000	263,319	(61,319)	-	-	-	202,000
Options exercised	1,000,000	167,172	-	(67,172)	-	-	100,000
Share based compensation	-	-	-	155,895	-	-	155,895
Options expired	-	-	-	(41,039)	-	41,039	-
Warrants expired	-	-	(112,371)	-	-	112,371	-
Loss for the year	-		-	-	-	(816,627)	(816,627)
Balance, July 31, 2014	**136,553,167**	**$ 22,377,941**	**$ 842,909**	**$ 408,654**	-	**$ (17,780,477)**	**$ 5,849,027**
					-		
Issuance of shares for resource property	4,250,000	297,500	-	-	-	-	297,500
Issuance of shares for cash	14,660,100	830,995	-	-	-	-	830,995
Share issue costs	-	(43,634)	-	-	-	-	(43,634)
Warrants issued	-	(422,243)	422,243	-	-	-	-
Share based compensation	-	-	-	152,765	-	-	152,765
Options expired	-	-	-	(143,885)	-	143,885	-
Options cancelled	-	-	-	(7,104)	-	7,104	-
Warrants expired	-	-	(22,739)	-	-	22,739	-
Unrealized gain on re-measurement of equity securities					2,301,531		2,301,531
Loss for the year	-	-	-	-	-	(1,124,564)	(1,124,564)
Balance, July 31, 2015	**155,463,267**	**$ 23,040,559**	**$ 1,242,413**	**$ 410,430**	**$ 2,301,531**	**$ (18,731,313)**	**$ 8,263,620**

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

LOMIKO METALS INC.

(An exploration stage company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended July 31,

		2015		2014
Cash flows (used in) operating activities				
Net (loss) for the year	$	(1,124,564)	$	(816,627)
Items not involving cash and cash equivalents:				
Equity investment share of loss		32,397		-
Share-based compensation		152,765		155,895
Flow-through premium		(399,465)		(71,429)
		(1,338,867)		(732,161)
Changes in non-cash working capital items:				
Other receivables		(968)		(39,028)
Prepaid expenses		(79,831)		(85,905)
Accounts payable and accrued liabilities		141,500		20,855
		(1,278,166)		(836,239)
Cash flows from financing activities				
Issuance of shares for cash		830,995		5,620,790
Proceeds from exercise of options and warrants		-		302,000
Share issue cost		(43,634)		(683,146)
		787,361		5,239,644
Cash flows (used in) investing activities				
Exploration and evaluation advances		100,000		(100,000)
License		(259,893)		
Website		(8,170)		-
Investment in mineral properties		(1,989,609)		(113,944)
Investment in associate		(224,075)		
Investment in equity securities		(300,000)		(50,000)
		(2,681,747)		(263,944)
(Decrease)/increase in cash		(3,172,552)		4,139,461
Cash and cash equivalents, beginning of year		4,533,483		394,022
Cash and cash equivalents, end of year	$	1,360,931	$	4,533,483
Supplemental information:				
Resource property acquired by issuance of shares	$	297,500	$	232,500
Shares issued in settlement of debt	$	-	$	265,905
Premium liability on flow-through shares	$	-	$	399,465

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

1 NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Lomiko Metals Inc. (the "Company" or “Lomiko”)) is engaged in the acquisition, exploration and development of resource properties. The company was incorporated on July 3, 1987, under the British Columbia Company Act. The company is listed on the TSX-Venture Exchange having the symbol LMR.V as a Tier 2 mining issuer and on the Over the Counter Exchange in the United States having the symbol LMRMF.

The Company has no source of operating cash flows, has not yet achieved profitable operations, has accumulated losses to July 31, 2015 of $18,731,313 since its inception and expects to incur further losses in the development of its business.

The Company’s registered office is unit 439-7184 120th Street, Surrey, British Columbia, Canada.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the n al course of business for the foreseeable future. The Company incurred a net loss of $1,124,564 before other comprehensive income items totaling $2,420,091 during the year ended July 31, 2015 and has a cash balance of $1,360,931 as at July 31, 2015. The Company’s ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent on the continued support of the creditors and the shareholders. In the past the Company has relied on sales of equity securities to meet its cash requirements. There can be no assurance that funding from this or other sources will be sufficient in the future to continue and develop its mineral properties and provide additional funding for the Megahertz Power Systems Inc. licensing agreement dated February 10, 2015 and the Canada Strategic Metals Inc. agreement dated February 23, 2015. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company be unable to continue as a going concern. Such adjustments could be material.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Statement of Compliance

These consolidated financial statements of the Company, for the year ended July 31, 2015, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved and authorized for issue by the Board of Directors on November 27, 2015.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE - continued

Basis of Measurement

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency, unless otherwise indicated.

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, consistent with the Company's significant accounting policies.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements unless otherwise indicated**.**

a) Basis of Consolidation

These consolidated financial statements include the financial statements of Lomiko and its wholly-owned subsidiaries, which are controlled by the Company. Control is achieved when Lomiko (as the parent company) is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee. Specifically, the Company controls the investee if, and only if, the Company has all the following: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee): (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions, balances, income and expenses are eliminated on consolidation. The consolidated financial statements of the Company include its wholly owned subsidiaries, The Conac Group Inc., Conac Software (USA) Inc., Lomiko Metals LLC and Lomiko Technologies Inc.

b) Investment in Associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method. Under the equity method, investments in associates are carried in the statement of financial position at cost adjusted for post-acquisition changes in the Company's share of net assets of the associates, less any impairment losses.

Losses in an associate in excess of the Company's interest in that associate are recognized only to the extent that the company has incurred a legal or constructive obligation to make payments on behalf of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Profits or losses on transactions between the Company and an associate are eliminated to the extent of the Company's interest therein.

c) Presentation currency and foreign currency translation

The consolidated financial statements are presented in Canadian dollars which is the functional and

Foreign currency transactions are translated into functionary currency of each entity using the exchange rates prevailing at the dates of the transactions. Foreign exchanges gains and losses resulting from the settlement of such transactions and from re-measurement of foreign currency denominated monetary items at reporting period and exchange rates are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rates in effect at the time of the initial transaction and are not subsequently re-measured at reporting period ends.

d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and/or trust accounts, and other short-term, highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

e) Licenses

All costs related to the acquisition of licenses are capitalized as intangible assets. Licenses costs will be written off against income generated from licensed product sales. The expected useful life of the license is indefinite.

f) Website

All costs related to the development of the Company's website are capitalized into intangible assets. Website costs will be written off at 20% per year when income is generated from the licensed product sales.

g) Exploration and Evaluation Expenditures

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to profit or loss. Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within equipment. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

h) Interest Income

Interest income is recorded on an accrual basis using the effective interest method.

i) Provisions

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

As at July 31, 2015 and 2014, the Company had no site restoration obligations.

j) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are subsequently measured as described below.

Financial Assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments; and
- available-for-sale financial assets.

The category determines how the asset is subsequently measured and whether any resulting income or expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are considered impaired when there is objective evidence that a financial asset or a group of financial assets has been impaired. Different criteria to determine impairment are applied for each category of financial assets which are described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method. Loans and receivables comprise cash and cash equivalents and receivables (other than goods and services tax (GST") from Canadian government taxation authorities).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The Company currently does not have any financial assets in this category.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined for example by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company currently does not have any financial assets in this category.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method is recognized in profit or loss. Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Financial Liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognized in profit or loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s financial liabilities measured at amortized cost include accounts payable and accrued liabilities, bank indebtedness and loans payable.

k) Impairment of Assets

Financial Assets

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. The amount of the impairment loss is recognized in profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the profit or loss, except for equity instruments classified as available-for-sale where the reversal is recorded in other comprehensive income.

Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. For exploration and evaluation assets the Company considers the following indicators of impairment: (i) whether the period for which the Company has the right to explore has expired in the period or will expire in the near future, and is not expected to be renewed; (ii) substantive expenditures on further exploration for and evaluation of mineral resources is neither budgeted nor planned; (iii) exploration and evaluation have not led to the discovery of commercially viable mineral resources and activities are to be discontinued; (iv) sufficient data exists to indicate that, although a development in the area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale; and (v) other factors that may be applicable such as a significant drop in metal prices or deterioration in the availability of equity financing. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

An impairment loss recognized in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

l) Taxes

Tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current taxes

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred taxes

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for 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 sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

Deferred tax assets and liabilities are recognized where the carrying amount of an

asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Sales tax

Expenses and assets are recognized net of the amount of sales tax except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- When receivables and payables are stated with an amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

m) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

n) Earnings/Loss per Share

Basic earnings (loss) per common share is computed by dividing the net income (loss) available to common shareholders of the Company by the weighted average number of shares outstanding or committed to issue for the relevant year.

Diluted earnings (loss) per common share is computed by dividing the net income (loss) applicable to common shareholders by the sum of the weighted average number of common shares issued and outstanding or committed and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

o) Share-based Payments

The Company has a stock option plan under which it grants stock options to directors, employees, consultants and service providers.

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. The value of the options and warrants granted, related to the issuance of shares, are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in share based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share based payment reserve is credited to share capital, adjusted for any consideration paid.

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 payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

p) 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 share 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 expenditures 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.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The proceeds received and the corresponding obligation to incur qualified expenditures at the end of the Company's reporting year is disclosed in Note 20.

The Company may also be subject to a Part XII.6 tax 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.

q) Significant Accounting Judgments and Estimates

The preparation of the Company's consolidated financial statements in accordance with IFRS requires Company's management to make certain judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results are likely to differ from these estimates. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses in these consolidated financial statements are discussed below.

<u>Exploration and evaluation assets:</u> The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that such acquisition costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable resources exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period when the new information becomes available. The carrying value of these assets is detailed at Note10.

<u>Title to Mineral Property Interests:</u> Although 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 prior agreements or transfers and title may be affected by undetected defects.

Estimates and assumptions

<u>Share-based payments:</u> The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers and employees. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based payment calculation value.

<u>Deferred tax assets:</u> The assessment of the probability of future taxable income against which deferred tax assets can be utilized is based on the Company's future planned

activities, supported by budgets that have been approved by the Board of Directors. Management also considers the tax rules of the various jurisdictions in which the Company operates. Should there not be a forecast of taxable income that indicates the probable utilization of a deferred tax asset or any portion thereof, the Company does not recognize the deferred tax asset.

r) Changes in Accounting Policies–New and Amended Standards and Interpretations

There were a number of new standards and interpretations effective from January 1, 2014, that the Company applied for the first time in the current year. The nature and impact of each new standard and/or amendment is described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year. Certain other new standards and interpretations applied for the first time in 2015 but are not discussed as they were not relevant to the Company.

Annual Improvements

In December 2013, the IASB issued “Annual Improvements to IFRSs 2010-2012 Cycle” which included certain amendments to IAS 24 *Related Party Disclosures*, including an amendment to the definition of a “related party” in order to include “management entities” that provide key management personnel services to the reporting entity. This amendment is effective for annual periods beginning on or after July 1, 2014, with earlier adoption permitted. The Company adopted the amendment with effect January 1, 2014. The Company’s related party disclosure note (Note 17) complies with the disclosure requirements.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these condensed consolidated interim financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the Company’s accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company’s consolidated financial statements.

IFRS 9 – Financial Instruments: The IASB published the final version of IFRS 9 in July 2014. The final standard brings together the classification, measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes a loss impairment model, amends the classification and measurement model for financial assets and provides additional guidance on how to apply the business model and contractual characteristics test. This final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for Galloway to update annual periods commencing on or after January 1, 2018, with early adoption permitted. Management is currently evaluating the impact the final standard is expected to have on the Company’s consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers: The IASB issued IFRS 15 in May 2014. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2017 and is to be applied retrospectively with early adoption permitted. Management is currently evaluating the impact the final standard is expected to have on the Company's consolidated financial statements; however, as the Company currently has no operating revenues, this is not anticipated to be significant.

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents on the statement of financial position comprise cash at bank, held in trust, on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

	July 31, 2015	July 31, 2014
Cash and bank balances	$ 157,931	$ 1,330,483
Cash equivalents	1,203,000	2,903,000
Cash held in trust	-	300,000
	$ 1,360,931	$ 4,533,483

5 OTHER RECEIVABLES

	July 31, 2015	July 31, 2014
Goods and services tax receivable	$ 54,538	$ 30,166
Accrued interest receivable	4,311	12,965
Quebec Mining Exploration Tax Credit receivable	-	14,750
	$ 58,849	$ 57,881

6 PREPAID EXPENSES

Included in prepaid expenses are legal fees paid to organize Lomiko Technologies SpA Chile in the amount of $29,109 (2015) and Graphene ESD Corporation in the amount of $10,825 (2014).

Lomiko Technologies SpA Chile was incorporated on June 30, 2015. The Company has no ownership in this company. The Company plans on acquiring a 40% interest in

6 PREPAID EXPENSES - continued

this company. Lomiko Technologies SpA Chile was formed to conduct research and development activities with The University of Chile and to work in conjunction with incentive programs for research and development offered by the Government of Chile.

Graphene ESD Corporation was incorporated on November 5, 2014. The company has a 40% interest in the company.

7 INVESTMENT IN ASSOCIATE**GRAPHENE ESD CORP.**

On December 3, 2014, the Company signed a preferred stock subscription agreement with Graphene ESD Corp. ("Graphene"). Under the agreement the Company subscribed to purchase 1,800 shares of Graphene's Series A Preferred Stock, representing 100% of the authorized preferred shares of Graphene, at a purchase price of $101.27 US per share ("Original Issue Price") for total consideration of $182,281 US. Dividends, at the rate per annum of $4.05 per share, will accrue on each preferred share and shall be cumulative. Payment of dividends is at the discretion of the board. Each share of Series A Preferred Stock held by the Company shall be convertible, at the option of the Company, at any time and from time to time after May 6, 2015, and without the payment of additional consideration by the Company, by dividing the Series A Original Issue Price by the Series A Conversion Price in effect at the time of the conversion. The Series A Conversion Price shall initially be equal to $101.27 US. The Series A Conversion Price and the rate at which shares of Series A Preferred Stock may be converted into shares of Graphene Common Stock, will be subject to adjustment in the event of a subdivision of Graphene's outstanding Common Stock or if Graphene makes or issues a dividend or other distribution payable on the Common Stock in additional shares of Common Stock.

Graphene ESD Corp. a Delaware company incorporated November 5, 2014 is a private US company that was formed to commercialize Graphene Supercapacitors. Payment for the subscription was made on December 12, 2014. On matters presented to the stockholders of Graphene, the Company's holdings of Series A Preferred Stock will entitle the Company to cast the number of votes equal to the number of whole shares of Common Stock of Graphene resulting from a conversion. As a holder of Series A Preferred Stock, the Company will vote together with the holders of Common Stock of Graphene as a single class. On February 23, 2015, Paul Gill, President of Lomiko was appointed as a board member of Graphene.

7 INVESTMENT IN ASSOCIATE - continued

The company exercises significant influence over ESD Graphene Corp. as it owns 40%of the voting shares and through a common director. It accounts for its investment on the equity basis.

	Number of shares held	$
July 31, 2014	-	-
Acquisition of preferred shares	1,800	$ 213,251
Costs related to acquisition		10,824
Share of equity loss		(32,397)
July 31, 2015	1,800	$ 191,678

8 INVESTMENT IN EQUITY SECURITIES

GRAPHENE 3D LAB INC.

On November 22, 2013 the Company paid $50,000 to acquire 250,000 common shares of Graphene 3D Lab Inc. On August 8, 2014, Graphene 3D Lab Inc. completed a reverse takeover of Matnic Resources Inc. (a publicly listed company) and a forward split converted the number of shares to 3,196,970. The shares are held in escrow and are being released on the following terms:

5%	August 8, 2014
5%	February 8, 2015
10%	12 months thereafter
10%	18 months thereafter
15%	24 months thereafter
15%	30 months thereafter
40%	36 months thereafter

On May 8, 2014 the Company entered into a subscription agreement to purchase 1,200,000 common shares of Matnic Resources Inc., (Matnic) for $300,000. On August 8, 2014, Matnic was taken over by Graphene 3D Lab Inc.

The following table summarizes the Company's Holdings in 3D Labs Inc.:

	Percentage of voting shares owned	Cost	Fair Value
July 31, 2014			
Graphene 3D Labs Inc.		$ 50,000	$ 50,000
July 31, 2015			
Graphene 3D Labs Inc.		$ 350,000	$ 2,770,091

8 INVESTMENT IN EQUITY SECURITIES - continued

The common shares are classified as Level 1 in the fair value hierarchy (see note 14 and as available for sale financial assets. The fair value of available for sale investments is determined based on a market approach reflecting the closing price of the security at the reporting date. The closing price is a quoted price obtained from the exchange that is the principal active market for the security.

9 LICENSE

MEGAHERTZ POWER SYSTEMS INC.

On October 20, 2014, the Company, through its wholly owned subsidiary Lomiko Technologies, Inc., signed a letter agreement with Megahertz Power Systems (Megahertz) to:

- license from Megahertz, non-exclusive rights to manufacture and sell three power supply products for the Canadian and United States markets;
- acquire a pending supply contract with a Canadian LED system integrator;
- finance to the amount of $250,000, the business set-up costs of the Company's manufacture and sales of the licensed power products;
- finance the future manufacture and sales of the licensed power products;

Under the terms of the letter agreement, Megahertz agreed to assign and transfer a pending revenue-generating customer contract to the Company upon the Company advancing the sum of $250,000 as Start-up funds as follows:

- A non-refundable deposit of $25,000 upon signing of the letter agreement (paid November 1, 2014)
- $125,000 within 30 days of signing the letter agreement (paid December 1, 2014)
- $100,000 within 60 days of signing the letter agreement (paid February 18, 2015)

The Company will further finance the manufacturing and distribution of the licensed power supply products. The Company will also pay Megahertz a project management fee to manage the manufacturing, distribution, marketing and sales of the licensed power supply products.

The Company is required to pay Megahertz a 7.5 - 15% royalty on the Company's net sales of the licensed power supply products.

On February 10, 2015 the Company executed a non-exclusive license agreement with Megahertz Power Systems Ltd. ("Megahertz") for the production and sale of three licensed power supply products for sale in Canada and the United States. On February 18, 2015 the Company also executed three separate statements of work agreements ("SOW") for the licensed products, outlining the terms and conditions for each product. Each SOW specifies the roles and responsibilities of each party with respect to development,

9 LICENSE- continued

sales, marketing and distribution of each product to the targeted customers. Megahertz will provide project management services to the Company for each SOW. Such services will include supporting the Company's manufacturing, distribution, sales and marketing of the licensed products. For each SOW, the initial monthly advance payment for project management services has been estimated at $7,000. The first payment of $21,000 is due December 2015. Further project management fees will be based on estimated costs for each quarter for each licensed product and will be payable in advance.

The term of the license agreement is based on the later of the expiration of the patents associated with the licensed products, any patents which may arise on related patent applications or any patents which may issue on any patent applications filed in respect of the design of the licensed products, unless otherwise terminated by law or the acts of the parties.

Megahertz shall not itself nor permit any other party to grant to others the right to, make use, offer to sell, sell or import any licensed product within Canada or the United States, until December 31, 2015, so long as the Company is not in breach of the license and SOW agreements.

10 EXPLORATION AND EVALUATION ASSETS

The following table shows the exploration and evaluation assets:

	Vines Lake	Quatre-Mille	Quatre-Mille West	La Loutre Crystaline	Lac des Isles	Total
Balance, July 31, 2013	$ 579,065	$ 495,857	$ 11,080	$ -	$ -	$ 1,086,002
Exploration costs	18,460	223,034	-	-	-	241,494
Acquisition of property	-	52,500	183,000	-	-	235,500
Less: Quebec tax credits	-	(130,550)	-	-	-	(130,550)
Balance, July 31, 2014	$ 597,525	$ 640,841	$ 194,080	$ -	$ -	$ 1,432,446
Exploration costs		79,020	30,881	979,967	162,140	1,190,523
Acquisition of property	-	-	-	411,701	623,401	1,035,102
Balance, July 31, 2015	$ 597,525	$ 719,861	$ 224,961	$ 1,391,668	$ 785,541	$ 3,719,556

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 favor of Mr. Amrit P.S. Gill, a director of the Company.

Quatre-Mille – Quebec
The Company owns a 100% interest in the Quatre-Milles property located north of Sainte-Veronique, Quebec. The property is subject to a 2% net smelter royalty (“NSR”) of which one half or (1% “NSR”) can be repurchased by the Company for $1,000,000.

10 EXPLORATION AND EVALUATION ASSETS - continued

Quatre-Mille West – Quebec
On May 25, 2014, the Company acquired a 100% interest in the Quatre-Milles West located in southern Quebec. The property is subject to a 2% net smelter royalty (“NSR”) of which one half or (1% “NSR”) can be repurchased by the Company for $1,000,000.

The terms of the purchase were as follows:
- Pay $3,000 in cash (paid)
- Issue 1,800,000 shares at $0.10 per share (issued)

La Loutre Crystalline and Lac de Isles – Quebec
On September 23, 2014 the Company obtained an option to purchase a 40% interest in the La Loutre Crystalline Flake Graphite Property located in Quebec.

The terms of the option to purchase agreement are as follows:
- Pay to the Optionor $12,500 in cash (paid)
- Issue 1,250,000 shares at a deemed price of $0.07 per share (issued)
- Incur or fund Exploration Expenditures aggregating not less than $500,000 on and exploration program not later than the first anniversary of the effective date of the agreement (completed).

Included in the Exploration Expenditures, will be a management fee payable to Canada Strategic Metals Inc. (the "Operator") equal to 10% of expenditures incurred. For contracts having a value greater than $50,000, the management fee will be reduced to 5% of exploration costs incurred. In a management fees of 1% of construction costs and 2 % of mining operating costs.

On February 23, 2015 the Company signed an agreement with Canada Strategic Metals Inc. to acquire an additional 40% interest in the La Loutre property and an 80% interest in the Lac Des Iles property. Both properties are located in Southern Quebec. The terms of the acquisition, are as follows:

- Payment of $10,000 cash on signing (paid)
- Issuance of 3,000,000 common shares at a deemed price of $.07 per share, within five days of regulatory approval. The shares will have a hold period of 4 months and 1 day from the date of issue. However Canada Strategic Metals Inc. has agreed to a voluntary 10 month hold period on 1,500,000 common shares (issued)
- Fund $2,750,000 of exploration expenditures under the following terms:
  - $950,000 no later than December 31, 2015, on the La Loutre property ($918,482 paid)
  - $700,000 no later than December 31, 2015, on other mining rights of Canada Strategic Metals Inc. (paid in full)
  - $150,000 no later than December 31, 2015, on the Lac Des Iles property ($139,465 paid)
  - $550,000 no later than December 31, 2016, on the La Loutre property
  - $300,000 no later than December 31, 2016, on other mining rights of Canada Strategic Metals Inc.
  - $100,000 no later than December 31, 2016, on the Lac Des Iles property

10 EXPLORATION AND EVALUATION ASSETS - continued

- Canada Strategic remains the operator at both properties until the terms are fully met.

Included in the Exploration Expenditures, will be a management fee payable to Canada Strategic Metals Inc. (the "Operator") equal to 5% of expenditures incurred.

The La Loutre property is subject to a 1.5% net smelter royalty ("NSR") of which (.5% "NSR") can be repurchased by the Company for $500,000.

11 OTHER LIABILITIES

Other liabilities consist of the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuances:

	Issued on June 23, 2013	Issued on March 13, 2014	Total
Balance at July 31, 2013	$ 71,429	$ -	$ 71,429
Settlement of flow-through share liability on incurring expenditures	(71,429)	-	(71,429)
Liability incurred on flow-through shares issued	-	399,465	399,465
Balance at July 31, 2014	-	399,465	399,465
Settlement of flow-through share liability on incurring expenditures	-	(399,465)	(399,465)
Balance, July 31, 2015	$ -	$ -	$ -

12 SHARE CAPITAL AND RESERVES

(a) Share Capital

Authorized

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Issued

Year ended July 31, 2014

During the year ended July 31, 2014, the Company issued the following common shares:

On October 10, 2013, the Company completed a non-brokered private placement, consisting of the issue of 4,431,755 common share units at a price of $.06 per unit, to

12 SHARE CAPITAL AND RESERVES - continued

settle debt of $265,905. Each common share unit consisted of one common share and .62 of one common share non-transferable purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the company at a price of $0.10 for a period of 24 months after closing of the offering. The warrants had a fair value of $52,996, measured using the Black-Scholes valuation model.

On December 18, 2013, the Company completed a non-brokered private placement, consisting of the issue and sale of 1,667,000 common share units of the Company at a price of $.06 per common share unit for gross proceeds of $100,020. Each common share unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.10 per share for a period of 12 months after the closing of the offering. Share issuance costs relating to the placement totaled $3,000. The warrants had

a fair value of $22,739, measured using the Black-Scholes valuation model. A Company director and a company related to a director, participated in the private placement by purchasing 1,057,000 units.

On March 13, 2014, the Company completed a public offering, consisting of the issue and sale of 26,584,180 common share units of the Company at a price of $ 0.11 per unit and 4,627,000 units of flow-through units at $0.13 per unit for aggregate gross proceeds of $3,525,770. Each common share unit is comprised of one common share and one-half of one common share purchase warrant; each whole common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of $0.15 per share for a period of 18 months after the closing of the offering. Each flow-through unit is comprised of one flow-through common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share for a period of 18 months at an exercise price of $0.20 per common share after the closing of the offering. The warrants had a fair value of $465,012, measured using the Black-Scholes valuation model. The Company recorded a liability on the flow-through premium of $92,540, for the difference between the fair market value of its common shares and the issuance price of its flow-through shares. This has been recorded as a flow-through common share issuance liability.

On March 13, 2014, the Company, completed a non-brokered private placement, consisting of the issue and sale of 15,346,231 flow-though units of the Company at a price of $0.13 per unit for gross proceeds of $1,995,010. Each flow-through unit is comprised of one flow-through common share, and one-half of one common share warrant. Each whole common share warrant is exercisable into one common share at an exercise price of $0.20 per share for a period of 18 months after closing of the offer. The warrants had a fair value of $211,679, measured using the Black-Scholes valuation model. Additionally, 1,872,671 broker warrants were issued with a fair value of $61,538, measured using the Black-Scholes valuation model. The Company recorded a liability on the flow-through premium of $306,925 for the difference between the fair market value of its common shares and the issuance price of its flow through shares. This has been recorded as a flow-through common share issuance liability. The company paid commission and settlement fees of $541,662 and legal fees of $83,238 in relation to the March 13, 2014 placements.

12 SHARE CAPITAL AND RESRVES - continued

On March 17, 2014 the Company issued 1,500,000 common shares at $0.035 in accordance with a purchase agreement, to acquire the Quatre-Milles exploration asset.

. On March 25, 2014, the Company issued 1,800,000 common shares at $0.10 in accordance with a purchase agreement, to acquire the Quatre-Milles West exploration asset.

Year ended July 31, 2015

On September 25, 2014 the Company issued 1,250,000 common shares at $0.07 in accordance with an agreement to acquire a 40% interest in the La Loutre Crystalline property.

On March 24, 2015 the Company, completed a non-brokered private placement, consisting of the issue and sale of 9,799,000 common share units of the Company at a price of $.06 per common share unit for gross proceeds of $587,900. Each common share unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.125 per share for a period of 18 months after the closing of the offering. The warrants had a fair value of $273,108, measured using the Black-Scholes valuation model. A finder's fee of $24,000 and legal fees of $3,950 were paid. Additionally, 350,000 broker common share units were offered, at a price of $0.06 per unit, but have not yet been executed. The expiry date for the units offer is August 20, 2016. .

On April, 13 2015 the Company, completed a non-brokered private placement, consisting of the issue and sale of 4,861,100 common share units of the Company at a price of $.05 per common share unit for gross proceeds of $243,055. Each common share unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.08 per share for a period of 2 years after the closing of the offering. A finder's fee of $13,434 and legal fees of $2,250 were paid. In addition, 230,466 broker warrants were issued. The warrants had a fair value of $149,135, measured using the Black-Scholes valuation model.

On April 15, 2015 the Company issued 3,000,000 common shares at $0.07 in accordance with an agreement to acquire a further 40% interest in the La Loutre Crystalline property and an 80% interest in the Las des Iles property.

b) Share purchase warrants

A summary of the Company's outstanding share purchase warrants at July 31, 2015 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance 31 July 2013	**6,352,142**	**$0.16**
Issued for financing	30,498,202	$ 0.15
Issued to settle debt	2,759,052	$ 0.10
Exercised	(2,020,000)	$ 0.10
Expired	(4,332,142)	$ 0.14
Balance, July 31, 2014	**30,498,202**	**$ 0.16**
Issued for financing	9,799,000	$ 0.11
Issued for financing	5,091,566	$ 0.08
Expired	(1,667,000)	$ 0.10
Balance, July 31, 2015	**43,721,768**	**$ 0.15**

The following weighted average assumptions were used for the Black-Scholes option valuation of warrants granted.

	July 31, 2015	July 31, 2014
Risk free interest rate	1.18%	1.05%
Expected life of options	.68 years	1.53 years
Annualized stock price volatility	144.43%	156.79%
Expected dividend yield	0%	0%

The following table summarizes information relating to share purchase warrants outstanding and exercisable at July 31, 2015.

Number of Warrants	Exercise Price	Expiry Date
2,759,052	$0.10	October 10, 2015
13,292,090	$0.15	September 13, 2015
2,313,500	$0.20	September 13, 2015
1,872,671	$0.11	September 13, 2015
920,774	$0.13	September 13, 2015
7,673,115	$0.20	September 13, 2015
9,799,000	$0.125	September 24, 2016
5,091,566	$0.08	April 15, 2017
43,721,768		

The weighted average remaining contractual life of the warrants as at July 31, 2015 was .54 years (2014 – 1.09 years).

12 SHARE CAPITAL AND RESERVES - continued

(c) Share-based payments

Plan Details
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 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 share 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. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position. Pursuant to the stock option plan, options granted in respect of investor relations activities are subject to vesting in stages over a twelve month period with 20% vesting on the date of grant and 20% each three months thereafter. Vesting restrictions may also be applied to other options grants, at the discretion of the Board of Directors.

Stock options are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2013	**4,625,000**	**$ 0.11**
Issued for services	1,825,000	0.10
Exercised	(1,000,000)	0.10
Expired	(625,000)	0.10
Balance, July 31, 2014	**5,525,000**	**0.11**
Issued for services	2,000,000	0.10
Cancelled	100,000	0.10
Expired	(1,750,000)	0.11
Balance, July 31, 2015	**5,675,000**	**$ 0.10**

12 SHARE CAPITAL AND RESERVES - continued

The following weighted average assumptions were used for the Black-Scholes option valuation of stock options granted:

	July 31, 2015	July 31, 2014
Risk free interest rate	1.55%	1.60%
Expected life of options	5 years	5 years
Annualized stock price volatility	331.7%	196.9%
Expected dividend yield	0%	0%
Forfeiture rate	0%	30%

The following table summarizes the stock options outstanding and exercisable as at July 31, 2015:

Number of options outstanding	Exercise price	Expiry date
425,000	$0.10	February 8, 2016
350,000	$0.10	August 8, 2016
675,000	$0.10	February 1, 2018
400,000	$0.10	April 30, 2018
1,825,000	$0.10	January 31, 2019
2,000,000	$0.10	September 5, 2019
5,675,000		

On September 5, 2014 the Company granted 2,000,000 (2014 – 1,825,000) stock options to directors and consultants with a total fair value of $152,766 or $0.08 per option (2014 – $155,894 or $0.08 per option).

The weighted average remaining contractual life of options outstanding at July 31, 2015 is 3.17 years (2014 - 2.54 years).

13 INCOME TAXES

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Deferred tax assets have not been recognized for the temporary differences noted below as the Company does not presently have sufficient evidence to establish that it is probable that the respective entities to which they relate will generate future taxable income against which to utilize the temporary differences.

13 INCOME TAXES - continued

	July 31, 2015	July 31, 2014
Deferred income tax expense	$629,224	$ -
Benefit from previously unrecognized tax losses	(510,664)	-
Deferred income tax liabilities	$118,560	$ -

Reconciliation of income tax computed at statutory rates to the reported income tax provision is as follows:

	July 31, 2015	July 31, 2014
Loss before income taxes	$ (1,124,564)	$ (816,627)
Canadian statutory rate	26%	26%
Income tax benefit computed at Canadian statutory rate	292,387	(212,323)
Permanent differences	27,803	42,070
Share issue cost	(47,875)	(52,694)
Tax benefits not recognized	405,321	241,519
Other	(101,284)	(18,572)
Share of associate loss	8,423	-
	$ -	$ -

As at July 31, 2015, the Company has non-capital losses carried forward of approximately $5,894,963 expiring in various years to 2035, that may be available to offset future taxable income.

13 INCOME TAXES - continued

Tax losses, expire as follows:

2027	$ 110,806
2028	130,858
2029	462,824
2030	679,076
2031	719,746
2032	653,482
2033	602,303
2034	945,550
2035	1,590,118
	$ 5,894,963

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial --- statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, except as noted under equity risk. Its objectives, polices and processes for managing those risks or the methods used to measure them from previous year have not changed.

General Objectives, Policies and Processes:
The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

a) Market Risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Foreign Currency Risk:
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The company does not have significant exposure to foreign exchange rate fluctuation.

Interest Rate Risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Equity Price Risk:
Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The investment in Graphene 3D Lab Inc. equity is measured at fair value and is subject to re-measurement. Although the current unrealized gain is substantial at the date of the report, fluctuations in price may materially change the fair value, resulting in changes in the unrealized gain/loss.

b) Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. The majority of cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand. The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at July 31, 2015 relating to cash of $1,360,931 and other receivables of $58,849. All cash, cash equivalents and short term deposits are held at the Bank of Montreal.

c) Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures that it has sufficient cash on demand to meet short-term business requirements, after taking into account the Company's holdings of cash.

The Company's cash is invested in business accounts and is available on demand. Funding risk is the risk that the Company may not be able to raise equity financing in a timely manner and on terms acceptable to management. There are no assurances that equity financing will be available when, and if, the Company requires additional financing.

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

The following table summarizes the Company's significant remaining contractual maturities for financial liabilities at July 31, 2015 and July 31, 2014.

	Less than 3months	3 – 12 months	Total
July 31, 2014			
Trade payables and other payables	$ 48,455	$ -	$ 48,455
Liability incurred on flow-through shares issued	$ -	$ 399,465	$ 399,465
July 31, 2015			
Trade payables and other liabilities	$ 189,957	$ -	$ 189,957
Liability incurred on flow-through shares issued	$ -	$ -	$ -

d) Fair value of financial instruments

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair value:

	Level 1	Level 2	Level 3	Total
July 31, 2014				
Investment in equity	$ -	$ -	$ 50,000	$ 50,000
Cash and Cash equivalents	$ 4,533,483	$ -	$ -	$ 4,533,483
July 31, 2015				
Investment in equity	$ 2,770,091	$ -	$ -	$ 2,770,091
Cash and Cash equivalents	$ 1,360.931	$ -	$ -	$ 1,360,931

Level 1 - quoted prices (unadjusted) in active markets

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

15 CAPITAL RISK MANAGEMENT

It is the Company's objective when managing capital to safeguard its ability to continue as a going concern in order that it may continue to explore and develop its mineral properties and continue its operations for the benefit of its shareholders. The Company's objectives when managing capital are to:

15 CAPITAL RISK MANAGEMENT - continued

a. continue the exploration and development of its mineral properties;
b. support any expansion plans; and
c. maintain a capital structure which optimizes the cost of capital at acceptable risk

The Company manages its equity (which includes common shares, share-based payment reserve and accumulated deficit) as capital. The Company intends to expend existing working capital by carrying out its planned acquisition, exploration and development activities on mineral properties and continuing to pay administrative costs.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure the Company may issue new shares. In order to facilitate analysis and management of its capital requirements, the Group prepares and updates annual budgets (as needed) to ensure that its acquisition and exploration operations can continue to progress. Budgets, once finalized, are approved by the Board of Directors.

There have not been any changes to the Company's capital management objective, policies and processes compared to the prior year. The Company is not subject to any externally imposed capital requirements.

The Company capital consists of cash, common shares, and warrants. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence in the Company's ability required to sustain future development and operation of the business.

The company is not exposed to any externally imposed capital requirements.

16 MANAGEMENT REMUNERATION

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and executive and non- executive directors. Key management personnel compensation comprised:

		July 31, 2015		July 31, 2014
Management fees paid to companies related to directors	$	175,000	$	90,000
Share-based compensation		76,383		139,885
Excess expense re-imbursement (a)		-		12,063
	$	251,383	$	148,147

(a) During the year ended July 31, 2014, a director and a company controlled by a director submitted expense reports to the Company in the amount of $96,230. These transactions were entered into to settle debt obligations with unrelated companies. The director and a Company related to the director transferred personal shares of the Company to settle the debt and were reimbursed by the Company. The market value of the shares on the day the services were rendered was $84,167.

17 RELATED PARTY TRANSACTIONS

During the year, directors were awarded 1,400,000 options (2014 - 1,150,000) stock options exercisable at $0.10 per share for a period of 5 years. The value of the share based compensation attributed to directors was $106,936 (2014 – $98,235).

Included in consulting fees are $44,000 (2014 - $0) paid to two directors, for board advisory services.

Included in accounts payable is $4,715 (2014 - $2,962) owing to directors.

During the year ended July 31, 2015, a director and a company controlled by a director paid for consulting fees in the amount of $10,324. These transactions were entered into to settle debt obligations with unrelated parties. These amounts were later reimbursed to the director.

18 SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has one reporting segment, being that of acquisition and exploration activities.

19 EARNINGS PER SHARE

Earnings (Loss) per share

Basic losses per share amounts are calculated by dividing the net (income) loss for the year by the weighted average number of ordinary shares outstanding during the year.

		July 31 2015		July 31, 2014
Loss attributed to ordinary shareholders	$	(1,124,564)	$	(816,627)
Weighted average number of common shares		143,486,539		102,438,559
Basic and diluted loss per share	$	(0.01)	$	(0.01)

There was a loss for the year ended July 31, 2015. Therefore the effect is anti-dilutive and the diluted loss per share remains $0.01. (Diluted loss per share for the year ended July 31, 2014 - $0.01)

20 COMMITMENTS

Shareholders Rights Plan

On October 30, 2014 the Board of Directors adopted a Shareholder Rights Plan (the “Plan”) to ensure, that all shareholders of the Company are treated fairly in connection with any take-over bid for the Company. In order to implement the adoption of the

20 COMMITMENTS - continued

Shareholder Rights Plan, the Board of Directors has authorized and declared a distribution of one Right effective the close of business on October 30, 2014 in respect of each Common Share outstanding at the Record Time and has further authorized the issuance of one Right in respect of each common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time as defined in the Plan.

Each Right entitles the holder thereof, to purchase securities of the Company pursuant to the terms and subject to the conditions set forth pursuant to the Plan. The Company appointed the rights agent, Computer Share Trust Company of Canada to act on behalf of the Company and the holders of Rights, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates (as hereinafter defined), the exercise of Rights and other matters referred to in the Plan.

Effective Date and Confirmation
This Plan is effective and in full force and effect in accordance with its terms. The plan was confirmed at the annual general meeting of holders of Voting Shares held on October 30, 2014.

Reconfirmation
This Plan must be reconfirmed by a resolution passed by a majority of the voting shareholders at the annual meeting of the Company to be held in 2017 and at every third annual meeting of the Company thereafter. If this Plan is not reconfirmed or is not presented for reconfirmation at any such annual meeting, this Plan and all outstanding Rights shall terminate and be void.

Flow through expenditures

In March 2014 the Company entered into flow-through share subscription agreements whereby it is committed to incur on or before January 31, 2016, a total of $2,596,520 of qualifying Canadian Exploration Expenses as described in the Income Tax Act. As at July 31, 2015, $1,987,221 has been incurred, leaving a balance of $609,299.

The Company will be able to continue to incur exploration expenses beyond the deadlines. However it could 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 fulfill its flow-through commitments within the given time constraints.

Right to acquire shares

Included in the finder's fee associated with the March 24, 2015 private placement is an option to purchase 350,000 common shares units at a price of $0.06 per unit. Each unit entitles the holder to purchase one additional common share of the Company at a price of $0.125 per share. This right expires on August 20, 2016.

21 CONTINGENCIES

On August 6, 2014 the Company received legal notice that a plaintiff is seeking damages in relation to a contract dispute arising out of a subscription agreement and alleged ratchet agreement between the company and the plaintiff. The plaintiff is seeking unspecified damages or alternatively the issuance of 3,333,333 common shares as well as other ancillary relief. The Company disputes the claims and has not made any provisions in the accounts and is actively in negotiations.

22 SUBSEQUENT EVENT

As at the opening of trading on the date of the auditor's report, the fair market value of the 3D Graphene Corp. shares (Note 8) was $1,407,030.

On November 5, 2015, the Company announced that its wholly owned subsidiary, Lomiko Technologies Inc. had received a loan of US $110,000 from Graphene ESD Corp., a company in which Lomiko Technologies has a 40% interest. The loan bears 1% interest per annum and is payable on demand, but not on or before May 6, 2016. No bonus shares or finder's fee will be payable. The money will be utilized to fund the manufacturing and marketing of the Spider USB Charger and LED Driver electronic products, both of which are licensed from Megahertz Power Systems, and for general working capital.

23 COMPARATIVES

Certain comparative information has been reclassified to conform to the presentation adopted in the current reporting period.