

Fundamental Research Corp.

Investment Analysis for Intelligent Investors

April 18, 2018

Lomiko Metals Inc. (TSXV: LMR / OTC: LMRMF) – Receives Permit to Drill / Taking Cryptocurrency Division Public

Sector/Industry: Graphite / Technology

www.lomiko.com

Market Data (as of April 18, 2018)

Current Price	C\$0.08
Fair Value	C\$0.33
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.07 - C\$0.31
Shares O/S	38,218,572
Market Cap	C\$3.06 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.4x
YoY Return	-68.0%
YoY TSXV	-2.7%

*see back of report for rating and risk definitions



Highlights

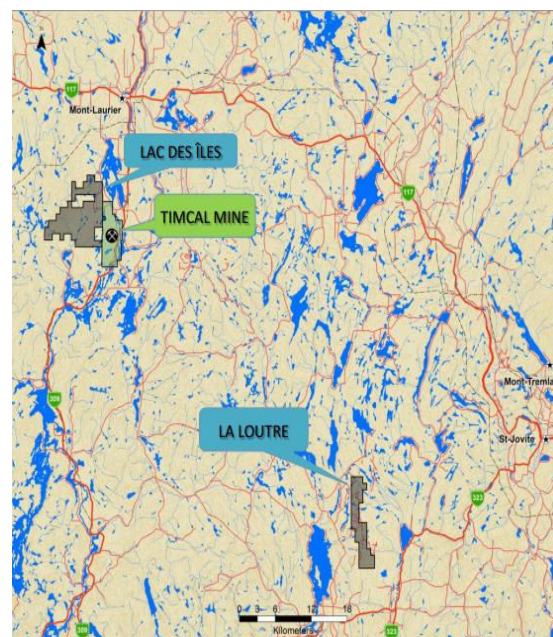
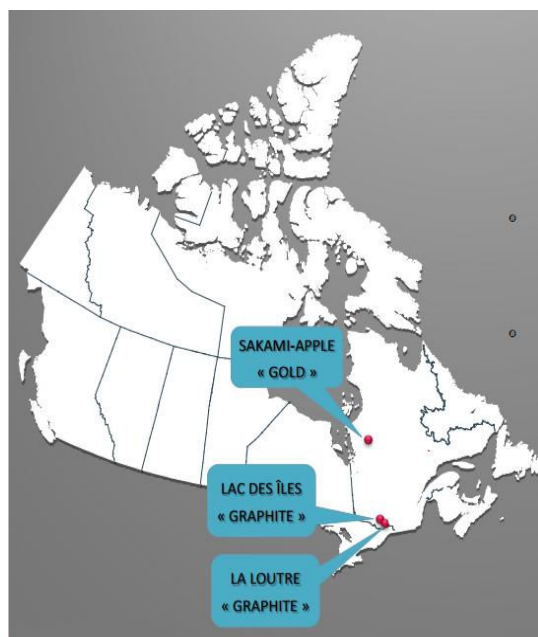
- In January 2018, Lomiko Metals (“company”, “LMR”) announced receipt of a drill permit for its La Loutre graphite property in Quebec. A 25 hole / 2,000 m drill program focused on the Refractory zone is planned.
- A 10-hole program on the Refractory zone in 2016 had produced encouraging high grade values.
- Results of the planned drill program will be used to complete a resource estimate on the zone. The property already has a NI 43-101 compliant resource estimate of 18.4 Mt at 3.19% indicated and 16.7 Mt at 3.75% inferred on a different zone.
- In January 2018, the company launched a cryptocurrency division named Prometheus Cryptocurrency Mining Corporation, 25% owned by LMR. In February 2018, the “Golden Goose”, a cryptocurrency mining rig, was designed and launched by Prometheus.
- On April 5, 2018, the company announced it is planning to take Prometheus Cryptocurrency public on an exchange in Europe.
- At the end of Q2-FY2018 (ended January 31, 2018), the company had cash and working capital of \$0.23 million and \$1.25 million, respectively.
- The company’s shares were suspended from trading from February 16, 2018 to March 20, 2018, due to a delay in filing annual audited financial statements.

Key Financial Data (FYE - July 31)

(C \$)	2017	2018 (6M)
Cash	98,305	230,656
Working Capital	(227,426)	1,253,885
Investments	1,235,143	1,194,120
Mineral Assets	5,472,428	5,624,113
Total Assets	6,846,514	8,114,819
Net Income (Loss)	(959,734)	(516,571)

Drilling at La Loutre

On January 29, 2018, the company announced receipt of a permit to drill up to 25 holes / 2,000 m at the Refractory zone of the La Loutre property. The property is located 53 km east of Imerys Graphite and Carbon's (formerly Timcal) graphite mine, and 117 km northwest of Montreal. The land package consists of one large contiguous block of 42 mineral claims covering 2,867 hectares.



Source: Company

Lomiko currently owns 80% of the property, and has an option to increase its ownership to 100% by issuing another 500k shares to partner and operator, Canada Strategic Metals (TSXV: CJC), and spending \$1.125 million on the property.

The project has a NI 43-101 compliant resource estimate of 18.4 Mt at 3.19% indicated, and 16.7 Mt at 3.75% inferred, with a cut-off grade of 1.5%. The resource was 4.1 Mt at 6.5% indicated, and 6.2 Mt at 6.1% inferred, with a cut-off grade of 3%. The following table shows the resource estimate at various cut-offs.

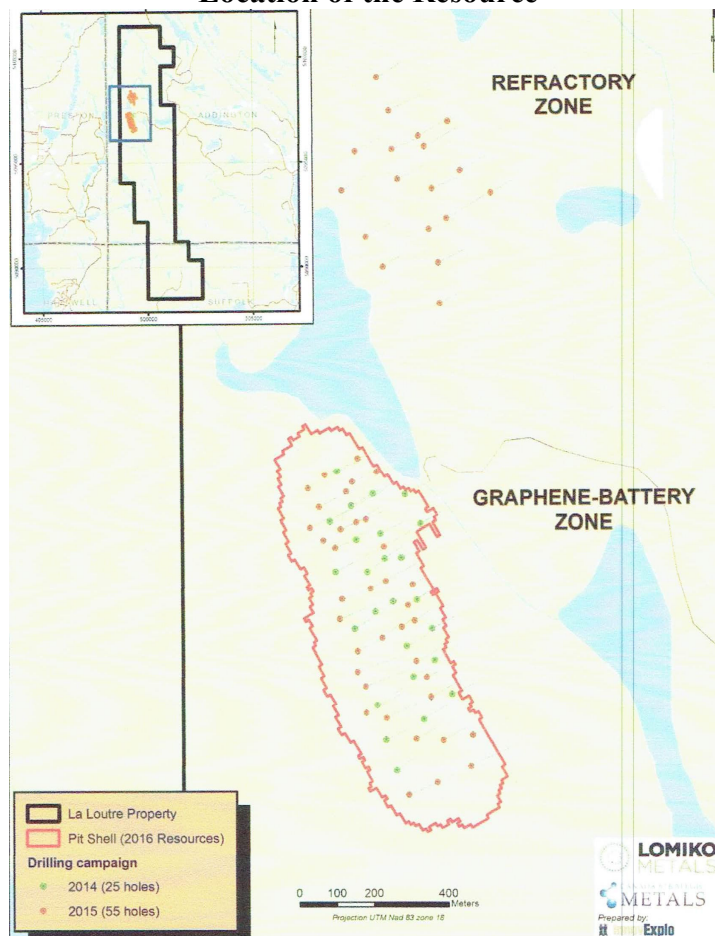
Indicated Resource				
Zone	Cut-off Cg (%)	Tonnage (metric tonne)	Grade Cg (%)	Graphite (metric tonne)
All Zones	> 3.0	4,137,300	6.50	268,800
	> 2.5	6,927,500	4.95	342,900
	> 2.0	15,181,200	3.49	529,200
	> 1.5	18,438,700	3.19	588,400
	> 1.0	19,005,400	3.13	595,700
	> 0.8	19,137,500	3.12	596,900
	> 0.6	19,279,600	3.09	595,300
	> 0.5	19,381,900	3.09	598,400

Inferred Resource				
Zone	Cut-off Cg (%)	Tonnage (metric tonne)	Grade Cg (%)	Graphite (metric tonne)
All Zones	> 3.0	6,181,000	6.11	377,600
	> 2.5	9,699,200	4.86	471,800
	> 2.0	15,332,000	3.92	600,300
	> 1.5	16,675,100	3.75	624,900
	> 1.0	16,927,300	3.71	628,000
	> 0.8	17,120,500	3.68	629,700
	> 0.6	17,306,700	3.63	628,100
	> 0.5	17,400,900	3.63	631,600

Source: Company

The resource estimate, which is constrained in a pit shell of 1,100m x 350m x 100m, is conservative as it only accounts for the Graphene-Battery Zone. Three zones have been identified to date on the property, namely, the Graphene, Battery and Refractory zones.

Location of the Resource



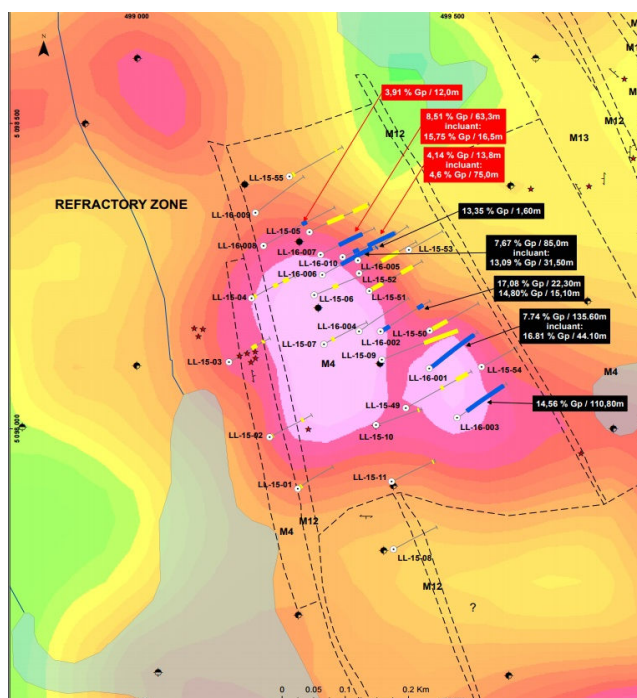
Source: Company

In 2016, a 10-hole (1,550 m) program on the Refractory zone had produced encouraging high grade values. The table below shows a summary of the results, followed by a map showing the drill locations.

Drill Results

Hole #	From (m)	To (m)	Length* (m)	Gp %
LL-16-001	3.90	139.50	135.60	7.74
includes	3.90	48.00	44.10	16.81
includes	135.00	138.00	3.00	14.85

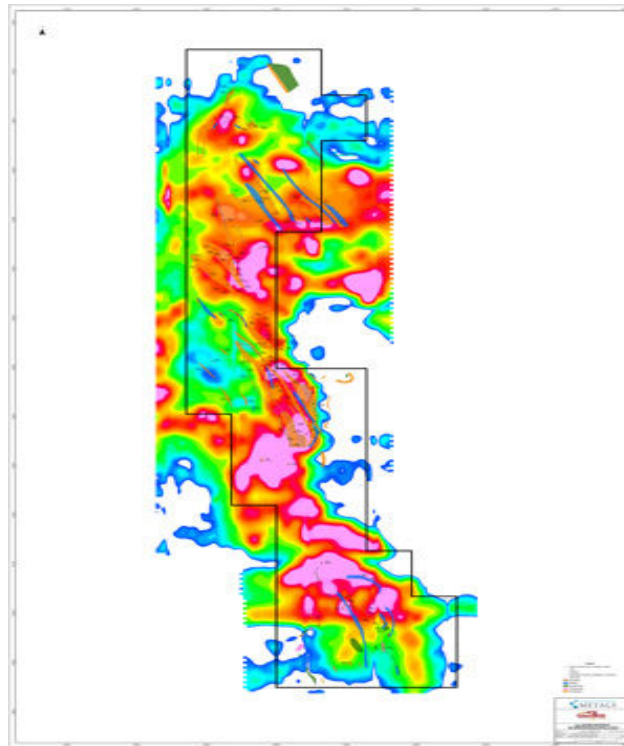
Hole #	From (m)	To (m)	Length* (m)	Gp %
LL-16-002	3.90	26.20	22.30	17.08
includes	113.9	129.00	15.10	14.80
LL-16-003	30.20	141.00	110.80	14.56
LL-16-004	NSV			
LL-16-005	55.80	57.40	1.60	13.35
LL-16-06	54.00	141.00	85.00	7.67
includes	109.50	141.00	31.50	13.09
LL-16-007	52.50	115.80	63.30	8.51
includes	69.00	85.50	16.50	15.75
LL-16-008	109.50	121.50	12.00	3.91
LL-16-009	NSV			
LL-16-010	31.20	45.00	13.80	4.14
	72.00	147.00	75.00	4.60



Source: Company

The following induced polarization map shows high conductivity areas in red.

Induced Polarization Map



Source: Company

Update on Investments

In addition to the graphite projects, LMR holds technology investments made outside of the mineral exploration business, which differentiates it from comparable junior resource companies focused on graphite. Brief updates on the investments follow:

SHD Smart Home Devices Ltd. (“SHD”), a Burnaby, BC based company - LMR holds a 25% interest in this company, which is currently valued at \$1.14 million (unaudited book value). LMR has a non-exclusive licence to market and sell a suite of products in North America, including LED driver products, in-wall AC receptacle with USB ports, etc. LMR has not provided any guidance / updates on this initiative. SHD is currently investing in opportunities to use blockchain technology in IoT (Internet of Things) software security applications.

Promethieus Cryptocurrency – In February 2018, Lomiko launched the “Golden Goose” – a cryptocurrency mining rig. The current version targets large scale miners of cryptocurrency. Management indicates that Golden Goose addresses concerns regarding heat and power management. Development of Version II, targeting individual consumers, is currently underway. The company conducted demonstrations, actively mining Ethereum, at the World Outlook Conference held in Vancouver, B.C., on February 2 and 3, 2018. Details of the performance and cost of operations are yet to be disclosed.

Golden Goose Mining Rig



Source: Company

Management is currently accepting orders for Golden Goose I or II – the estimated price is US\$7,500 each. The delivery time is estimated to be within 120 days.

The Promethieus Cryptocurrency Mining Corporation is owned 25% by LMR, 25% by SHD, and the remaining 50% by various partners and investors. Note that LMR owns 25% of SHD.

On April 5, 2018, the company announced it is planning to take Promethieus Cryptocurrency public on an exchange in Europe. The company has hired a firm to assist in this process.

Graphene 3D Lab Inc. (TSXV: GGG) – GGG develops and manufactures graphene-based materials. LMR has divested all of its equity interest (4 million shares) in this company. GESD (below) owns 1.25 million shares of GGG.

Graphene Energy Storage Devices (“GESD”) – LMR holds a 40% interest (book value - \$58k). GESD has partnered with the Research Foundation of Stony Brook University (“SBU”) to develop new supercapacitors designs for energy storage.

At the end of Q2-FY2018 (ended January 31, 2018), the company had cash and working capital of \$0.23 million and \$1.25 million, respectively. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.15 million per month in the first six months. The following table summarizes the company’s liquidity position.

Financials

Stock Options and Warrants

The company is currently pursuing an equity financing of up to \$0.60 million at \$0.10 per unit. Each unit will consist of a common share and half warrant (exercise price of \$0.20 per share for 1 year). These funds will be used to fund the drill program at La Loutre.

The company currently has 0.43 million options outstanding (weighted average exercise price of \$0.20) and 16.86 million warrants outstanding (weighted average exercise price of \$0.25). At this time, none of the stock options or warrants are 'in-the-money'.

Valuation and Rating

The following table shows the current market valuations of junior graphite players. The current Enterprise Value ("EV") to resource ratio is \$17.9/t.

		In-Situ Graphite					
Company	Location	Enterprise Value (\$,mm)	M&I (Mt)	Inferred (Mt)	Grade	Resource	EV / Resource*
1 Leading Edge Materials	Sweden	\$59	0.82	0.16	9.10%	0.90	\$65.6
2 Zenyatta Ventures	Ontario	\$34	0.97	0.45	3.56%	1.19	\$28.5
3 Magnis Resources	Tanzania	\$211	6.48	2.86	5.40%	7.91	\$26.7
4 Mason Graphite	Quebec	\$240	11.29	3.04	17.20%	12.81	\$18.7
5 Northern Graphite	Ontario	\$18	1.21	0.40	1.70%	1.41	\$12.4
6 Nouveau Monde Mining	Quebec	\$32	2.46	0.71	4.10%	2.82	\$11.2
7 Syrah Resources	Mozambique	\$807	28.50	100.00	11.00%	78.50	\$10.3
8 Focus Graphite	Quebec	\$15	1.77	0.37	15.13%	1.96	\$7.8
9 NextSource Materials Inc.	Madagascar	\$53	6.29	2.37	6.13%	7.48	\$7.1
10 Graphite One	Alaska	\$21	0.74	4.97	7.00%	3.23	\$6.5
11 Alabama Graphite	US	\$7	1.88	2.04	2.48%	2.89	\$2.3
Average		\$136.0	5.67	10.67	7.5%	11.01	\$17.9

* Resource = 100% of M&I + 50% of Inferred

Source: FRC / Data: Various Sources

The following table shows our valuation on LMR's shares. Note that we have assumed a 100% interest in La Loutre, net of acquisition costs. Considering the early stage nature of La Loutre relative to the other companies listed in the above table, we applied a 25%

discount and valued La Loutre's resource at \$13.43/t.

Valuation	\$, Millions	Value per Share
La Loutre (based on \$17.9/t)	\$11.10	\$0.29
Investments (book value)	\$1.19	\$0.03
Working Capital	\$0.33	\$0.01
Fair Value	\$12.63	\$0.33

Source: FRC

We reiterate our BUY rating and adjust our fair value estimate to \$0.33 per share. Our previous estimate (as of January 30, 2017) was \$0.94 per share as we had valued La Loutre's resource at \$23.3/t. Due to the speculative nature of the company's other investments, we continue to take a very conservative approach and value them based on their current book values. We will update our valuation as we receive tangible information on the company's investments.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- LMR's value is dependent on commodity prices.
- The company does not currently have any operating mines.
- Access to capital and share dilution.
- Investment in early stage R&D projects carries inherent risk.

We rate the company's shares a Risk of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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