

Lomiko Metals Inc. (TSXV: LMR) – Diversifying through acquisition of Quebec graphite property

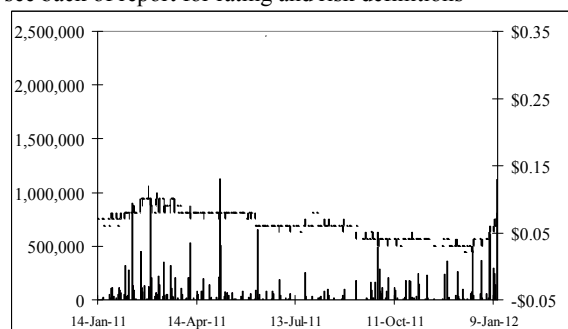
Sector/Industry: Junior Mining/Exploration

www.lomiko.com

Market Data (as of January 12, 2012)

| | |
|---------------|---------------------|
| Current Price | CS\$0.07 |
| Fair Value | N/A |
| Rating* | N/A |
| Risk* | 5 (Highly Spec) |
| 52 Week Range | CS\$0.03 - CS\$0.12 |
| Shares O/S | 55.52 mm |
| Market Cap | CS\$3.89 mm |
| Current Yield | N/A |
| P/E (forward) | N/A |
| P/B | 4.5x |
| YoY Return | 0.0% |
| YoY TSXV | -32.4% |

*see back of report for rating and risk definitions



Investment Highlights

- LMR entered an agreement to acquire a 100% interest in the Quatre Milles graphite property located in south-western Quebec.
- The company staked an additional 4,098Ha of claims at the Vines Lake property, BC.
- Two phases of exploration were completed on the Vines Lake property in 2011.
- At the end of Q1-2012 (end of October 31, 2011), the company had \$0.24 million in cash. Working capital was \$0.22 million. The company has to raise \$0.50 - \$1.00 million to fund its CAPEX and working capital in 2012.
- Due to the early stage nature of its projects, we have continued to assign no rating or valuation on LMR shares. Overall, we believe the company's decision to acquire the Quatre Milles project brings in more speculative potential upside to LMR's shares.

Key Financial Data (FYE - July 31)

| (C \$) | 2011 | 2012 (3 mo) |
|-------------------|-----------|-------------|
| Cash | 476,531 | 198,392 |
| Working Capital | 476,611 | 223,951 |
| Mineral Assets | 511,029 | 644,377 |
| Total Assets | 754,527 | 890,037 |
| Net Income (Loss) | (580,615) | (139,457) |

Lomiko Metals is a Surrey, B.C. based junior mining company. The Vines Lake gold project in BC is the company's current exploration focus. Vines Lake is located at the structural and mineral extension of the Table Mountain property, which has a NI 43-101 resource. The company recently entered into an agreement to acquire a 100% interest in the Quatre Milles graphite property located in south-western Quebec.

***Vines Lake
Project******Exploration***

In June, and July, the company completed Phase I of its 2011 exploration program at Vines Lake. This comprised a soil geochemistry survey on a grid extending 75 line kilometers with a total of 1,366 soil samples and 74 rock samples. Samples were sent to the Stewart Group –Eco Tech laboratories in Kamloops for analysis.

Results have identified several anomalies with gold values up to 0.279 g/t and silver occurrence up to 19.50 g/t. The majority of anomalies were outlined on the eastern side of the property adjacent to the Table Mountain gold mine currently owned by China Minerals Mining Corporation (TSXV: CMV).

The most positive results were found for zinc on the western side of the property reporting values up to 2,429 ppm, with one 108 Ha anomalous zone having an average of 430 ppm zinc.

The results of this survey build on the company's belief that the property could potential host a similar high grade gold deposit to that found on the adjacent Table Mountain property.

Phase II exploration commenced in August, immediately following the survey. This included geological mapping and the drilling of one diamond drill hole to test a magnetic high in the north west of the property. Management has indicated that results for this hole and rock samples are pending. **Given that the samples were taken in August 2011, we believe that this delay, and the lack of follow up work, is a potential concern.**

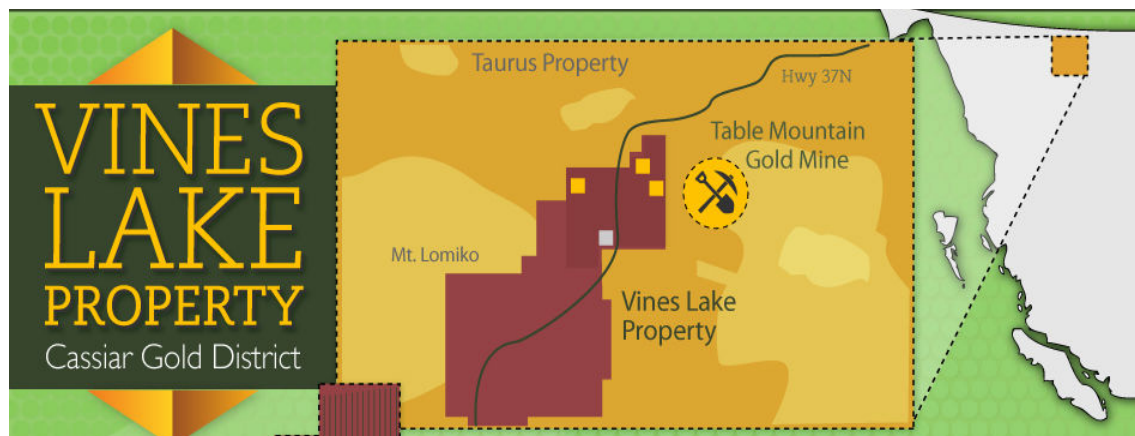
Management also disclosed that two drill holes aimed at structures on the eastern side of the property were cancelled due to the early onset of winter, and the requirement to construct and dismantle two bridges to gain access to the targets. It is suggested that a larger drill program will be required to justify the cost of this exploration, but a possible start date has not been provided at this time.

Increasing Land Position

In July and August, LMR staked an additional 4,098 Ha of claims to the west, and south, bringing the total Vine Lake property to 5,267 Ha. Management stated the purpose of acquiring this land is to explore for molybdenum on land along trend from the Storie Moly Deposit to the north, which is currently held by Columbia Yukon Explorations Inc. (TSXV: CYU)

We believe this is positive as it demonstrates the company's belief that the property hosts a significant deposit as they increase the land position.

The following map shows the location of the new claims adjacent to the existing Vines Lake property.



Source: Company

Property Acquisitions

LMR recently announced that they entered into an agreement with Zimtu Capital Corp. (TSXV: ZC), to acquire a 100% interest in the Quatre Milles graphite property located in south-western Quebec.

The transaction requires staged payments by LMR to the vendors totaling \$50,000 and 4 million common shares over 24 months. LMR is required to make minimum exploration expenditures of \$200,000 on the property in the first 12 months following the closing of the transaction. Additionally, the vendors will retain a 2% NSR (net smelter royalty) of which, 1% can be purchased by LMR for \$1 million.

About the Quatre Milles graphite property

The Quatre Milles property is located in the Brunet Township, approximately 175km northwest of Montreal.

The property, which comprises of 28 contiguous claims totaling 1,600 Ha, was originally staked by Graphicor Resources Inc. (“Graphicor”) in 1989. The lithologies present at the property are part of the Central Metasedimentary Belt consisting of intercalated biotite gneiss, biotite feldspar gneiss, marble, quartzite and calc-silicate.

Graphicor completed mapping, prospecting, ground geophysics, and 26 diamond drill holes totaling 1,625 meters of drilling. Highlights of drilling include 15.48% Cgf (Carbon Graphite Flake) over 0.50 meters, and 8.07% Cgf over 28.6 meters. A number of conductive trends were identified along with at least three graphitic beds. It should be noted by readers that this data predates NI 43-101 and can not be considered compliant.

Based on exploration carried out by Graphicor, the company believes that the property has the potential to host a significant graphite deposit. The project is at a very early stage and there has not been any recent exploration on the property.

About Graphite

Graphite has several relatively unique properties that make it useful in a number of applications including: foundry facings, refractory and crucibles, brake lining and lubricants. Growing future markets include use in lithium ion batteries, fuel cells and nuclear power production.

Global graphite production has changed little over the past five years (1,100 Kt in 2010 versus 1,060 Kt in 2005). According to the USGS, Canada was the fifth largest producer of graphite in 2010, with about 25,000 metric tons mined in that year. China (800,000 metric tons), India (130,000 metric tons), Brazil (76,000 metric tons), and North Korea (30,000 metric tons) were the top four producers in 2010. The U.S. imports 100% of its graphite consumption. According to the USGS, graphite (flake) prices increased at a compounded annual growth rate of 5.4% from US\$512/ton in 2005, to US\$667/ton in 2010. We consider Quebec to be a world class mining jurisdiction with favorable land use and mining policies. The Lac Dec Iles mine currently operated by Timcal in Quebec has been in operation since 1989, and produces a number of different graphite products.

Financials

At the end of Q1-2012 (October 31, 2011), the company had \$0.24 million in cash. Working capital was \$0.22 million. In the first three months of FY2011, the company reported a net loss of \$0.14 million (EPS: -\$0.00). We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.09 million per month in the first three months of FY2011. The following table shows the company's cash and liquidity position at the end of Q1-FY2012.

| (in C\$) | 2011 | 2012 (3 mo) |
|--------------------------------|-------------|--------------------|
| Working Capital | 476,611 | 223,951 |
| Current Ratio | 10.91 | 11.32 |
| LT Debts/ Assets | - | - |
| Burn Rate Per Month | (54,990) | (92,713) |
| Cash from financing activities | 942,209 | |

LMR currently has \$150,000 in cash. The company's CAPEX estimate for Quatre Mills alone for the rest of the year is \$0.50 million. The company has to raise \$0.50 - \$1.00 million to fund its CAPEX and working capital in 2012.

Stock Options and Warrants: We estimate the company currently has 4.10 million stock options outstanding (weighted average exercise price of \$0.11) and 5.63 million warrants (weighted average exercise price of \$0.12) outstanding. None of them are currently in the money.

Valuation and Rating

Due to the early stage nature of its projects, we have continued to assign no rating or valuation on LMR.

Overall, we believe the company's decision to acquire the Quatre Mills project brings more excitement and speculation to the shares as - a) the project is in very early stages and the little historic information available on the project suggests the project could have potential, and b) global graphite demand is increasing; while production has remained steady over the past several years - which we believe should increase investors' interest in the sector. Graphite exploration is relatively less active compared to other commodities such as gold, copper, silver, etc. - the relatively lesser number of players implies positive results from Quatre Mills (combined with increasing investors' interest in the graphite sector) will attract Canadian investors to LMR.

Risks

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

- The value of the company is dependent on commodity prices.
- The company does not currently have any operating mines.
- Access to capital and share dilution.

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.**Disclaimers and Disclosure**

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