

# **GEOMEGA RESOURCES INC.**

---

## **CONDENSED INTERIM FINANCIAL STATEMENTS UNAUDITED**

**For the three month period ended August 31, 2012 and 2011**

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The attached condensed interim financial statements have been prepared by the management of Geomega Resources Inc. and its external auditors have not reviewed these unaudited financial statements.

**GEOMEGA RESOURCES INC.**  
**Condensed Interim Statements of Financial Position**  
**As at August 31, 2012**  
**(Unaudited)**

(In Canadian dollars)

	Note	August 31, 2012	May 31, 2012
<b>ASSETS</b>		\$	\$
<b>Current</b>			
Cash		1,344,134	3,285,042
Goods and services tax receivable		135,360	264,904
Tax credits and credits on duties receivable		2,645,174	2,334,650
Prepaid expenses and deposits		337,165	283,549
		<u>4,461,833</u>	<u>6,168,145</u>
<b>Non-current</b>			
Exploration and evaluation assets	5	12,124,076	11,628,219
Property and equipment	6	549,575	605,172
		<u>12,673,651</u>	<u>12,233,391</u>
<b>Total assets</b>		<u>17,135,484</u>	<u>10,647,430</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	7	508,545	463,220
Current portion of obligations under capital leases	8	142,582	185,203
Debt	9	676,215	1,415,605
		<u>1,327,342</u>	<u>2,064,028</u>
<b>Non-current</b>			
Obligations under capital leases	8	15,154	17,907
<b>Total liabilities</b>		<u>1,342,496</u>	<u>383,377</u>
<b>EQUITY</b>			
Share capital		19,759,206	19,759,206
Warrants		324,089	324,089
Brokers' options		588,957	588,957
Stock options		1,389,421	1,504,136
Contributed surplus		502,897	156,559
Deficit		(6,771,582)	(6,013,346)
<b>Total equity</b>		<u>15,792,988</u>	<u>16,319,601</u>
<b>Total liabilities and equity</b>		<u>17,135,484</u>	<u>18,401,536</u>

Going concern (note 2)

Commitment (note 11)

Subsequent events (note 16)

The accompanying notes are an integral part of the condensed interim financial statements.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on October 29, 2012.

*(signed)*  
\_\_\_\_\_  
Simon Britt  
Director

*(signed)*  
\_\_\_\_\_  
Mario Spino  
Director

**GEOMEGA RESOURCES INC.**  
**Condensed Interim Statements of Loss and Comprehensive loss**  
**For the three month period ended August 31, 2012 and 2011**  
**(Unaudited)**

(In Canadian dollars)

	Notes	Three month period ended	
		August 31	
		2012	2011
		\$	\$
<b>EXPENSES</b>			
Salaries and employee benefits		<b>320,100</b>	104,274
Exploration and evaluation expenses	16	<b>129,755</b>	595,129
Professional fees		<b>114,055</b>	42,411
Travel, conference and investor relations		<b>52,066</b>	123,944
Telecommunication		<b>4,581</b>	1,637
Administration		<b>31,495</b>	6,568
Transfer agency and regulatory fees		<b>6,985</b>	16,129
Rent		<b>6,686</b>	6,473
Training		<b>4,595</b>	4,809
Insurance, taxes and permits		<b>3,004</b>	2,171
Bad debts		-	11,425
Depreciation of property and equipment		<b>10,429</b>	5,017
		<b>683,751</b>	919,987
<b>OPERATING LOSS</b>			
<b>OTHER INCOME AND EXPENSES</b>			
Interest income		-	(10,713)
Finance costs		<b>74,485</b>	3,012
		<b>74,485</b>	(7,701)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>758,236</b>	912,286
<b>NET LOSS PER SHARE</b>			
Basic and diluted loss per share	13	<b>0.03</b>	0.04

Going concern (note 2)

The accompanying notes are an integral part of the condensed interim financial statements.

**GEOMEGA RESOURCES INC.**  
**Condensed Interim Statements of Changes in Equity**  
**For the three month period ended August 31, 2012 and 2011**  
**(Unaudited)**

(In Canadian dollars)

	Note	Number of common shares outstanding	Share capital \$	Warrants \$	Brokers' options \$	Stock options \$	Contributed surplus \$	Deficit \$	Total equity \$
Balance as at June 1, 2011		19,561,690	11,919,081	479,020	-	240,500	-	(2,374,548)	10,264,053
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(912,286)	(2,243,750)
Stock-based compensation	12	-	-	-	-	45,383	-	-	364,000
Private placement		2,127,659	4,999,999	-	518,787	-	-	-	1,124,249
Share issue costs		-	(1,137,694)	-	-	-	-	-	(467,469)
Exercise of warrants	10.2	60,300	69,993	(1,268)	-	-	-	-	902,319
<b>Balance as at August 31, 2011</b>		<b>21,749,649</b>	<b>15,851,379</b>	<b>477,752</b>	<b>518,787</b>	<b>285,883</b>	<b>-</b>	<b>(3,286,834)</b>	<b>13,846,967</b>
Balance as at June 1, 2012		29,274,113	19,759,206	324,089	588,957	1,504,136	156,559	(6,013,346)	16,319,601
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(758,236)	(758,236)
Stock-based compensation	12	-	-	-	-	231,623	-	-	231,623
Forfeited options	12	-	-	-	-	(346,338)	346,338	-	-
<b>Balance as at August 31, 2012</b>		<b>29,274,113</b>	<b>19,759,206</b>	<b>324,089</b>	<b>58,957</b>	<b>1,389,421</b>	<b>502,897</b>	<b>(6,771,582)</b>	<b>15,792,988</b>

Going concern (note 2)

The accompanying notes are an integral part of the condensed interim financial statements.

**GEOMEGA RESOURCES INC.**  
**Condensed Interim Statements of Cash Flows**  
**For the three month period ended August 31, 2012 and 2011**  
**(Unaudited)**

(In Canadian dollars)

		<b>Three month period</b>	
		<b>August 31</b>	
	Note	<u>2012</u>	<u>2011</u>
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(758,236)	(912,286)
Adjustments:			
Stock-based compensation	12	192,615	32,417
Depreciation of property and equipment		10,429	5,017
Accretion expenses - debt	6	35,695	-
Financing fees		13,915	-
Changes in non-cash working capital items	14	(189,272)	(311,663)
Cash flows used operating activities		<u>(694,854)</u>	<u>(1,186,515)</u>
<b>INVESTING ACTIVITIES</b>			
Investments redeemed		-	1,820,810
Investments		-	(4,010,713)
Additions of property and equipment		-	(19,959)
Additions to exploration and evaluation assets		(411,681)	-
Cash flows used investing activities		<u>(411,681)</u>	<u>(2,209,862)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of shares and warrants, net of issue costs		-	4,435,007
Exercise of warrants		-	68,725
Repayment of debt	6	(789,000)	-
Payments under capital leases		(45,373)	(72,031)
Cash flows (used) from financing activities		<u>(834,373)</u>	<u>4,431,701</u>
<b>(Decrease) increase in cash</b>		<b>(1,940,908)</b>	<b>1,035,324</b>
<b>Cash beginning of period</b>		<b><u>3,285,042</u></b>	<b><u>46,952</u></b>
<b>Cash end of period</b>		<b><u>1,344,134</u></b>	<b><u>1,082,276</u></b>
<b>Additional information:</b>			
Interest received		-	7,817
Interest paid		30,163	2,074
Depreciation of equipment pursuant to a capital lease and included in exploration and evaluation assets		36,662	-
Property and equipment acquired pursuant to a capital lease		-	403,685
Stock-based compensation included in exploration and evaluation assets		39,007	12,996
Prepaid issue costs recognized as issue costs during the period		-	53,915

Going concern (note 2)

# **GEOMEGA RESOURCES INC.**

## **Notes to the Condensed Interim Financial Statements**

### **For the three month period ended August 31, 2012 and 2011**

#### **(Unaudited)**

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(In Canadian dollars)

#### **1. NATURE OF OPERATIONS**

Geomega Resources Inc. (the "Company") is incorporated under the Canada Business Corporations Act and is engaged in the acquisition, the exploration and evaluation of mining properties in Canada. The address of the Company's registered office and principal place of business is 475 Victoria avenue, Saint-Lambert, Quebec, Canada. The Company's shares are listed on the TSX Venture Exchange under symbol GMA.

These unaudited condensed interim financial statements were approved by the Company's Board of Directors on October 29, 2012 and have not been audited or reviewed by the Company's auditors.

#### **2. GOING CONCERN**

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period.

Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described in the following paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These condensed interim financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

For the three month period ended August 31, 2012, the Company reported a net loss of \$758,236 (2011 - \$912,286) and has an accumulated deficit of \$6,771,582 at August 31, 2012 (\$6,013,346 - May 31, 2012). In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments for exploration and evaluation programs and pay for general and administration costs. As at August 31, 2012, the Company had working capital of \$3,134,491 (\$4,104,117 - May 31, 2012), including cash and cash equivalents of \$1,344,134 (\$3,285,042 - May 31, 2012). Management estimates that these funds will not be sufficient to meet the Company's obligations and budgeted expenditures through May 31, 2013. Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity or debt financing. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in the financial statements.

#### **3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

##### **a) Statement of compliance**

These unaudited condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. All disclosures required for annual financial statement have not been included in these condensed interim financial statements.

# GEOMEGA RESOURCES INC.

## Notes to the Condensed Interim Financial Statements

### For the three month period ended August 31, 2012 and 2011

#### (Unaudited)

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(In Canadian dollars)

#### 3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### b) Basis of presentation

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended May 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous financial year ended May 31, 2012.

#### 4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are no relevant changes in accounting standards applicable to future periods other than those disclosed in the most recent annual financial statement as at and for the year ended May 31, 2012.

#### 5. EXPLORATION AND EVALUATION ASSETS

##### *i) Montviel property (100%)*

The Montviel property comprises 216 mining claims totalling 11,998 ha. The property carries a 2% net output royalty to NioGold.

##### *ii) Sydney property (100%)*

The Sydney property comprises 169 mining claims totalling 9,789 ha.

##### *iii) Émilie property*

The Émilie property comprises 48 mining claims totalling 2,585 ha.

##### *iv) Oriana property (100%)*

The Oriana property comprises 280 mining claims totalling 15,570 ha.

##### *v) Others (100%)*

The others properties were acquired by map designation and are located around the Montviel property area.

**GEOMEGA RESOURCES INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the three month period ended August 31, 2012 and 2011**  
**(Unaudited)**

(In Canadian dollars)

**5. EXPLORATION AND EVALUATION ASSETS (continued)**

	<u>August 31, 2012</u>	<u>May 31, 2012</u>
Mineral properties	7,333,334	7,261,320
Exploration and evaluation expenditures capitalized	4,790,742	4,366,899
Total exploration and evaluation assets	<u>12,124,076</u>	<u>11,628,219</u>

MINERAL PROPERTIES

	May 31, 2011	Additions	Impairment	May 31, 2012	Additions	August 31, 2012
<b>QUEBEC</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Montviel (i)	6,812,129	239,198	-	7,051,327	-	7,051,327
Pump Lake	263,000	18,670	(281,670)	-	-	-
Sydney (ii)	11,655	2,862	(8,508)	6,009	-	6,009
Émilie (iii)	166,018	5,359	(165,908)	5,469	-	5,469
Oriana (iv)	89,192	41,602	(5,530)	125,264	59,877	185,141
Others (v)	54,966	18,285	-	73,251	12,137	85,388
	<u>7,396,960</u>	<u>325,976</u>	<u>(461,616)</u>	<u>7,261,320</u>	<u>72,014</u>	<u>7,333,334</u>

EXPLORATION AND EVALUATION EXPENDITURES CAPITALIZED

	May 31, 2011	Additions	Tax credits and credit on duties	Impairment	May 31, 2012	Additions	Tax credits and credit on duties	August 31, 2012
<b>QUEBEC</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Montviel (i)	-	6,068,593	(1,701,694)	-	4,366,899	652,181	(228,339)	4,790,742

**GEOMEGA RESOURCES INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the three month period ended August 31, 2012 and 2011**  
**(Unaudited)**

(In Canadian dollars)

**6. PROPERTY AND EQUIPMENT**

	Exploration and evaluation equipment					
	Leasehold Improvements	Office equipment	Vehicle	Field equipment and base camp	Warehouse	Total
	\$	\$	\$	\$	\$	\$
<b>Year ended May 31, 2012</b>						
Opening net book value	1,828	15,131	29,553	4,175	-	50,687
Additions	-	18,069	24,324	537,833	159,388	739,614
Depreciation	(784)	(10,807)	(14,954)	(152,287)	(6,297)	(185,129)
Closing net book value	1,044	22,393	38,923	389,721	153,091	605,172
<b>Balance - May 31, 2012</b>						
Cost	2,350	37,365	59,454	542,008	159,388	800,565
Accumulated depreciation	(1,306)	(14,972)	(20,531)	(152,287)	(6,297)	(195,393)
<b>Net book value</b>	<b>1,044</b>	<b>22,393</b>	<b>38,923</b>	<b>389,721</b>	<b>153,091</b>	<b>605,172</b>
<b>Period ended August 31, 2012</b>						
Opening net book value	1,044	22,393	38,923	389,721	153,091	605,172
Depreciation	(196)	(3,114)	(4,955)	(45,168)	(2,164)	(55,597)
Closing net book value	848	19,279	33,968	344,553	150,927	549,575
<b>Balance – August 31, 2012</b>						
Cost	2,350	37,365	59,454	542,008	159,388	800,565
Accumulated depreciation	(1,502)	(18,086)	(25,486)	(197,455)	(8,461)	(250,990)
<b>Net book value</b>	<b>848</b>	<b>19,279</b>	<b>33,968</b>	<b>344,553</b>	<b>150,927</b>	<b>549,575</b>

Note: The field and equipment and base camp includes equipment capitalized under finance lease with a net book value of \$276,830 as at August 31, 2012 (\$313,493 – May 31, 2012).

Depreciation of property and equipment related to specific exploration projects being capitalized as E&E assets is capitalized to the E&E assets. Depreciation of property and equipment not related to E&E assets is recorded on the statement of loss and comprehensive loss under depreciation of property and equipment or under exploration and evaluation expenses. An amount of \$10,429 (\$25,219 - 2011) was expensed while an amount of \$45,168 (Nil – 2011) was capitalized as E&E assets during the three month period ended August 31, 2012.

**GEOMEGA RESOURCES INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the three month period ended August 31, 2012 and 2011**  
**(Unaudited)**

(In Canadian dollars)

**7. TRADE AND OTHER PAYABLES**

	<b>August 31, 2012</b>	May 31, 2012
	<u>\$</u>	<u>\$</u>
Trade accounts payable	<b>371,155</b>	186,015
Salaries and source deductions payable	<b>51,139</b>	49,866
Accruals	<b>86,251</b>	233,339
	<u><b>508,545</b></u>	<u>463,220</u>

**8. OBLIGATIONS UNDER CAPITAL LEASES**

	<b>August 31, 2012</b>	May 31, 2012
	<u>\$</u>	<u>\$</u>
Obligation under capital lease (base camp), 8%, payable in monthly instalments, maturing in May 2013. At the end of the term, the Company can buy the camp at a price of \$100.	<b>46,791</b>	61,740
Obligation under capital lease (base camp), 8%, payable in monthly instalments, maturing in May 2013. At the end of term, the Company can buy the camp at a price of \$100.	<b>18,663</b>	24,728
Obligation under capital lease, 11% (base camp), payable in monthly instalments, maturing in July 2013. At the end of the term, the Company can buy the camp at a price of \$100.	<b>92,282</b>	116,642
	<u><b>157,736</b></u>	<u>203,110</u>
Current portion of obligations under capital leases	<b>142,582</b>	185,203
Non-current portion	<b>15,154</b>	17,907

The instalments on the obligation under capital leases for the next two years are as follows:

	\$
2013	149,910
2014	15,349
	<u>165,259</u>
Interest included in minimum lease payments	<u>(7,523)</u>
	<u>157,736</u>

**GEOMEGA RESOURCES INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the three month period ended August 31, 2012 and 2011**  
**(Unaudited)**

(In Canadian dollars)

**9. DEBT**

On March 16, 2012, SIDEX, Limited Partnership ("SIDEX") granted a \$1,500,000 loan to the Company which bears interest at an annual rate of 8%. The loan is secured by a hypothec on the universality of the Company's tax credits receivable for the fiscal years ended in 2011 and 2012 related to mineral exploration from Revenu Quebec. The loan must be repaid on the earlier of December 31, 2013 or upon the receipt of the tax credits. During the quarter, the Company reimbursed \$789,000 following the reception of fiscal 2011 tax credits.

In connection with the loan, the Company issued 400,000, non-transferable common share purchase warrants entitling SIDEX to subscribe 400,000 common shares at a price of 1.25\$ per share for a period of 12 months. As of March 16, 2012, a fair value of \$53,073 was allocated to the warrants.

Using discounted cash flows pricing models and an estimated 15% interest rate prevailing at the date of issuance for instruments with similar conditions and risk, the loan was evaluated at its fair value of the debt instrument, and the residual value was allocated to the warrants. The Company determined that the fair value of the debt instrument is \$676,215 as at August 31, 2012 (\$1,415,605 – May 31, 2012).

The Company incurred costs of \$34,000 in connection with the debt, of which \$32,980 has been allocated to the debt and \$1,020 to the warrants, based on their respective fair value.

**10. EQUITY**

**10.1 Share capital**

**Authorized**

Unlimited number of common shares without par value.

	<b>Number of shares</b>	
	<b>Three month period ended August 31, 2012</b>	Year Ended May 31, 2012
Shares issued at the beginning of the period	<b>29,274,113</b>	19,561,690
Private placement	-	6,407,204
Flow-through shares	-	1,803,333
Pre-development agreement	-	150,000
Exercise of stock options	-	400,000
Exercise of warrants	-	951,886
Total shares issued at the end	<b><u>29,274,113</u></b>	<b><u>29,274,113</u></b>

**GEOMEGA RESOURCES INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the three month period ended August 31, 2012 and 2011**  
**(Unaudited)**

(In Canadian dollars)

**10. EQUITY (continued)**

**10.2 Warrants**

The following tables summarize the warrants outstanding as at August 31, 2012. Each warrant entitles the holder to subscribe to one common share.

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
		\$
Balance as at May 31, 2012	5,378,536	1.95
Expired	(511,104)	1.35
<b>Balance as at August 31, 2012</b>	<b>4,867,432</b>	<b>2.01</b>

<b>Expiration date</b>	<b>Number</b>	<b>Exercise price</b>
		\$
September 2012	200,000	5.50
March 2013	400,000	1.25
July 2013	2,127,659	2.85
September 2013	1,952,273	1.00
December 2013	187,500	1.00
	<b>4,867,432</b>	

**10.3 Brokers' options**

The number of outstanding brokers' options as at August 31, 2012 which could be exercised for an equivalent number of units and shares is as follows:

	<b>Number of brokers' options for units*</b>	<b>Weighted average exercise price</b>	<b>Number of brokers' options for common shares</b>	<b>Weighted average exercise price</b>
		\$		\$
Balance as at May 31, 2012	134,750	2.35	225,187	0.55
<b>Balance as at August 31, 2012</b>	<b>134,750</b>	<b>2.35</b>	<b>225,187</b>	<b>0.55</b>

There was no issuance or exercise of brokers' options during the three month period ended August 31, 2012.

\*Each unit consists of one common share and one warrant to acquire one common share.

**GEOMEGA RESOURCES INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the three month period ended August 31, 2012 and 2011**  
**(Unaudited)**

(In Canadian dollars)

**11. COMMITMENT**

The Company's future minimum operating lease payments are as follows:

	Minimum lease payments due			Total
	Within 1 year	1 to 5 years	After 5 years	
	\$	\$	\$	\$
August 31, 2012	27,401	2,289	-	29,690

The Company leases its offices under a lease expiring in September 2013.

The minimum lease payments recognized as an expense during the reporting period amounted to \$6,686 (\$6,473 for the same period in 2011). No sublease payment or contingent rent payment was made or received. The Company's operating lease agreement do not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing. No sublease income is expected as all assets held under lease agreement are used exclusively by the Company.

**12. STOCK OPTIONS**

The Company has established a stock option plan ("the Plan") whereby the Board of Directors (the "Board") may from time to time grant options to purchase common shares to employees, officers, directors and consultants, for such terms and at such exercise prices as may be determined by the Board in accordance with the terms of the Plan.

The Plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance under the Plan is limited to a maximum of 10% of the common shares outstanding and the maximum number of common shares which may be reserved for issuance to any one option may not exceed 5% of the common shares outstanding at the date of grant. These options may be exercised for a period of 5 years after the grant date and they vest gradually over a period of 24 months from the day of grant, at a rate of 1/4 per six-month period.

The stock option exercise price is established by the Board and may not be lower than the market price of the common shares at the time of grant.

On July 20, 2012, the Company granted to an officer a total of 100,000 stock options that may be exercised over a period of five years, at an exercise price of \$0.45.

**GEOMEGA RESOURCES INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the three month period ended August 31, 2012 and 2011**  
**(Unaudited)**

(In Canadian dollars)

**12. STOCK OPTIONS (continued)**

All stock-based compensation will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the stock options. The Company's stock options are as follows at August 31, 2012:

	Options	Weighted average exercise price
		\$
Outstanding as at May 31, 2012	2,278,540	1.41
Granted	100,000	0.45
Forfeited	(295,000)	1.65
<b>Outstanding as at August 31, 2012</b>	<b>2,083,540</b>	<b>1.33</b>

The table below summarizes the information related to stock options as at August 31, 2012:

Range of exercise price	Options outstanding			Options exercisable	
	Number of options	Weighted average exercise price	Remaining life (years)	Number of options	Weighted average exercise price
\$		\$			\$
0.10 to 1.00	825,000	0.45	3.53	600,000	0.42
1.01 to 2.00	1,028,540	1.51	3.81	275,885	1.51
2.01 to 3.00	150,000	2.08	1.62	75,000	2.08
3.01 to 4.00	80,000	3.91	3.55	40,000	3.91
	<u>2,083,540</u>	1.22		<u>990,885</u>	0.99

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**12. STOCK OPTIONS (continued)**

The \$30,263 fair value for the 100,000 stock options granted during the quarter ended August 31, 2012 and year ended May 31, 2012 was estimated using Black-Scholes stock option pricing model with the following weighted average assumptions:

	<b>Period ended August 31, 2012</b>	Year ended May 31, 2012
Average share price at date of grant	<b>\$0.45</b>	\$1.67
Dividend yield	<b>0%</b>	0%
Expected weighted volatility	<b>100%</b>	119%
Risk-free interest average rate	<b>1.30%</b>	1.25%
Expected average life	<b>3.75 years</b>	3.75 years
Average exercise price at date of grant	<b>\$0.45</b>	\$1.67

In total, \$231,623 of stock-based compensation was recognized during the quarter ended August 31, 2012 with \$192,615 included in the statement of loss and comprehensive loss and \$39,000 capitalized in E&E assets (respectively \$32,417 and \$12,966 for 2011).

**13. LOSS PER SHARE**

The calculation of basic loss per share is based on the net loss and comprehensive loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential common shares such as share options, brokers' options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of stock options, brokers' options and warrants issued that could potentially dilute earnings per share in the future are given in notes 10.1, 10.2, 10.3 and 12.

	<b>Three month period ended August 31</b>	
	<b>2012</b>	2011
Net loss	<b>\$758,236</b>	\$912,286
Weighted average number of shares in circulation	<b>29,274,113</b>	20,873,207
Basic and diluted loss per share	<b>\$0.03</b>	\$0.04

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**14. CHANGES IN NON-CASH WORKING CAPITAL**

The changes in working capital items are detailed as follows:

	<b>Three month period ended August 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Goods and services tax receivable	<b>129,544</b>	(21,339)
Tax credits and credits on duties receivable	<b>(310,524)</b>	(341,353)
Prepaid expenses and deposits	<b>(53,616)</b>	56,851
Trade and other payables	<b>45,324</b>	(5,822)
	<b>(189,272)</b>	<b>(311,663)</b>

**15. RELATED PARTY TRANSACTIONS**

**Transactions with key management personnel**

Key management personnel of the Company are members of the Board of Directors, as well as the President and CEO, the Chief Financial Officer, the Secretary and the Vice-President, exploration. Key management personnel remuneration includes the following expenses:

	<b>Three month period ended August 31</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits		
Salaries including bonuses and benefits	<b>108,125</b>	50,965
Professional fees	<b>-</b>	93,700
Social security costs	<b>5,194</b>	3,141
Total short-term employee benefits	<b>113,319</b>	147,806
Stock-based compensation	<b>200,529</b>	32,417
Total remuneration	<b>313,848</b>	180,223

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**16. EXPLORATION AND EVALUATION EXPENSES**

	Three month period ended August 31	
	2012	2011
	\$	\$
Salaries, geology and prospection	128,322	441,620
Lodging and travel expenses	20,679	136,445
Geophysics and geochemistry	-	83,144
Analysis	14,216	195,719
Drilling	-	62,587
Field preparation and equipment	48,486	26,250
Taxes, permits and insurances	237	-
Exploration and evaluation expenses	211,940	945,765
Tax credits and credits on duties	(82,185)	(350,636)
<b>Exploration and evaluation expenses net of tax credits and credits on duties</b>	<b>129,755</b>	<b>595,129</b>

**17. SUBSEQUENT EVENTS**

- a) On September, 2012, 200,000 warrants exercisable at 5.50 expired unexercised.
- b) On September 4, 2012, the company received \$85,406 in credits on duties related to FY2011.