GEOMEGA RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2014

NOTICE TO READER

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditor.

GEOMEGA RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited, in Canadian Dollars)

	Note	February 28, 2014 $	May 31, 2013 $
ASSETS			
Current			
Cash and cash equivalents		**453,086**	437,855
Sales tax receivable		**76,504**	157,531
Other receivables		**1,388**	—
Tax credits receivable	3	**356,674**	2,459,916
Prepaid expenses and deposits		**90,217**	87,458
Current assets		**977,869**	3,142,760
Non-current			
Tax credits receivable	3	**100,219**	717,100
Exploration and evaluation assets	4	**16,083,055**	14,353,599
Property and equipment	5	**323,880**	386,255
Non-current assets		**16,507,154**	15,456,954
Total assets		**17,485,023**	18,599,714
LIABILITIES			
Current			
Trade and other payables	6	**532,721**	631,538
Obligation under finance leases	7	**52,195**	17,753
Debt		**—**	1,398,812
Flow-through share liability	8	**15,206**	203,433
Current liabilities		**600,122**	2,251,536
Non-current			
Obligation under finance leases	7	**48,965**	—
Total liabilities		**649,087**	2,251,536
EQUITY			
Share capital	9	**22,499,232**	21,648,139
Warrants	10	**291,256**	22,170
Broker options	11	**53,730**	628,143
Stock options		**1,529,880**	1,609,364
Contributed surplus		**1,514,654**	794,692
Deficit		**(9,052,816)**	(8,354,330)
Total equity		**16,835,936**	16,348,178
Total liabilities and equity		**17,485,023**	18,599,714

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

Going concern (*Note 1*)

Commitments (*Note 16*)

Subsequent events (*Note 17)*

Approved on Behalf of the Board:

/s/ "Simon Britt"
Simon Britt
Director

/s/ "Gilles Gingras"
Gilles Gingras
Director

GEOMEGA RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited, in Canadian Dollars, except number of common shares)

		Three Month Period Ended February 28,		Nine Month Period Ended February 28,	
		2014	2013	**2014**	2013
	Note	**$**	$	**$**	$
EXPENSES					
Salaries, employee benefits and share-based compensation		**226,185**	347,532	**534,229**	1,067,916
Exploration and evaluation expenses, net of tax credits	13	**—**	61,254	**29,653**	284,419
Professional fees		**19,291**	15,643	**135,986**	356,342
Travel, conference and investor relations		**23,475**	35,893	**45,760**	142,192
Telecommunications		**3,000**	3,741	**10,256**	13,703
Administration		**3,093**	9,227	**8,975**	27,696
Transfer agency and regulatory fees		**11,762**	9,351	**48,119**	37,287
Rent		**7,093**	6,887	**21,005**	20,394
Insurance, taxes and permits		**5,735**	3,831	**16,268**	13,537
Depreciation of property and equipment		**3,114**	8,264	**9,602**	24,793
Loss on disposal of property and equipment		**—**	—	**3,930**	—
Impairment of exploration and evaluation assets	4	**11,899**	—	**11,899**	28,080
Loss before under noted items		**314,647**	501,623	**875,682**	2,016,359
Interest income		**(492)**	(24)	**(15,356)**	(28)
Finance costs		**1,398**	35,946	**80,492**	138,581
Other income		**—**	—	**(34,200)**	—
Loss before income taxes		**315,553**	537,545	**906,618**	2,154,912
Flow-through share related income		**(39,722)**	(184,705)	**(243,155)**	(184,705)
Loss and comprehensive loss for the period		**275,831**	352,840	**663,463**	1,970,207
Basic and diluted loss per share		**(0.01)**	(0.01)	**(0.02)**	(0.06)
Weighted average number of common shares outstanding - Basic and diluted		**39,526,896**	35,137,069	**37,992,378**	31,206,955

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

GEOMEGA RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF CHANGE IN EQUITY
(Unaudited, in Canadian Dollars)

Nine month period ended February 28	Note	Share Capital $	Warrants $	Broker Options $	Stock Options $	Contributed Surplus $	Deficit $	Total Equity $
As at May 31, 2012		19,759,206	324,089	588,957	1,504,136	156,559	(6,013,346)	16,319,601
Loss and comprehensive loss for the period		-	-	-	-	-	(1,970,207)	(1,970,207)
Share-based compensation		-	-	-	629,087	-	-	629,087
Private placement	9	2,019,654	-	39,186	-	-	-	2,058,840
Share issue cost	9	(259,068)	-	-	-	-	-	(259,068)
Shares issued - Oriana	9	17,200	-	-	-	-	-	17,200
Shares issued - Pearse Technology		15,750	-	-	-	-	-	15,750
Forfeited stock options		-	-	-	(346,338)	346,338	-	-
Expired warrants		-	(249,866)	-	-	249,866	-	-
As at February 28, 2013		21,552,742	74,223	628,143	1,786,885	752,763	(7,983,553)	16,811,203
As at May 31, 2013		**21,648,139**	**22,170**	**628,143**	**1,609,364**	**794,692**	**(8,354,330)**	**16,348,178**
Loss and comprehensive loss for the period		**-**	**-**	**-**	**-**	**-**	**(663,463)**	**(663,463)**
Share-based compensation		**-**	**-**	**-**	**272,288**	**(242,937)**	**-**	**29,351**
Private placements	**9, 10**	**940,215**	**282,170**	**14,544**	**-**	**-**	**-**	**1,236,929**
Share issue costs	**9, 10**	**(89,122)**	**(25,937)**	**-**	**-**	**-**	**-**	**(115,059)**
Extended warrants	**10**	**-**	**35,023**	**-**	**-**	**-**	**(35,023)**	**-**
Expired warrants	**10**	**-**	**(22,170)**	**-**	**-**	**22,170**	**-**	**-**
Expired broker options	**11**	**-**	**-**	**(588,957)**	**-**	**588,957**	**-**	**-**
Expired and forfeited stock options		**-**	**-**	**-**	**(351,772)**	**351,772**	**-**	**-**
As at February 28, 2014		**22,499,232**	**291,256**	**53,730**	**1,529,880**	**1,514,654**	**(9,052,816)**	**16,835,936**

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

GEOMEGA RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited, in Canadian Dollars)

	Note	Three Month Period Ended February 28, 2014 $	Three Month Period Ended February 28, 2013 $	Nine Month Period Ended February 28, 2014 $	Nine Month Period Ended February 28, 2013 $
OPERATING ACTIVITIES					
Loss for the period		**(275,831)**	(352,840)	**(663,463)**	(1,970,207)
Adjustments for:					
Share-based compensation		**30,721**	161,997	**17,752**	531,700
Depreciation of property and equipment	4	**3,114**	8,264	**9,602**	24,793
Impairment of exploration and evaluation assets	4	**11,899**	—	**11,899**	28,080
Loss on disposal of property and equipment		**—**	—	**3,930**	—
Accretion expense - debt		**—**	11,506	**62,188**	48,963
Financing fees		**—**	8,132	**—**	30,269
Recovery of flow-through share related income		**(39,722)**	(184,705)	**(243,155)**	(184,705)
Changes in non-cash working capital items:					
Sales tax receivable		**9,754**	(7,711)	**81,027**	109,170
Other receivables		**(490)**	—	**(1,388)**	—
Tax credits receivable		**—**	636,400	**488,545**	805,576
Prepaid expenses and deposits		**(9,031)**	103,991	**(2,759)**	138,632
Trade and other payables		**100,453**	(146,707)	**190,525**	33,634
Cash flows (used in)/from operating activities		**(169,133)**	238,327	**(45,297)**	(404,095)
INVESTING ACTIVITIES					
Additions of exploration and evaluation assets		**(639,837)**	(1,540,209)	**(1,857,605)**	(3,422,205)
Recovery of exploration and evaluation assets – tax credits		**—**	—	**2,226,336**	—
Acquisitions of property and equipment		**(2,949)**	—	**(9,261)**	—
Disposal of property and equipment		**—**	—	**15,000**	—
Cash flows (used)/from investing activities		**(642,786)**	(1,540,209)	**374,470**	(3,422,205)
FINANCING ACTIVITIES					
Private placements, net of issue costs	9, 10	**529,047**	359,148	**1,176,618**	2,444,682
Repayment of debt		**—**	—	**(1,461,000)**	(789,000)
Payments on obligations under finance leases		**(11,807)**	(47,610)	**(29,560)**	(139,461)
Cash flows from/(used in) financing activities		**517,240**	311,538	**(313,942)**	1,516,221
Net change in cash and cash equivalents		**(294,679)**	(990,344)	**15,231**	(2,310,079)
Cash and cash equivalents, beginning of the period		**747,765**	1,965,307	**437,855**	3,285,042
Cash and cash equivalents, end of the period		**453,086**	974,963	**453,086**	974,963
Additional information					
Interest received		**2**	24	**13,968**	28
Interest paid		**(1,141)**	(14,142)	**(27,064)**	(59,120)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Geomega Resources Inc. (the "Company") is incorporated under the Canada Business Corporations Act and is engaged in the acquisition, exploration and evaluation of mining properties in Canada. The Company's shares are listed on the TSX Venture Exchange under symbol GMA. The address of the Company's registered office and principal place of business is 475 Victoria Avenue, Saint-Lambert, Quebec, Canada, J4P 2J1. These unaudited condensed interim financial statements were approved by the Company's Board of Directors on April 24, 2014.

These 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 become 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. For the nine month period ended February 28, 2014, the Company reported a loss of $663,463 and an accumulated deficit of $9,052,816 at that date. In addition to its ongoing working capital requirements, the Company must secure sufficient funding for existing commitments for exploration and pay for general and administration costs. As of February 28, 2014, the Company had working capital of $377,747. Management estimates that the working capital will not be sufficient to meet the Company's obligations and budgeted expenditures through February 28, 2015. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they become due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Subsequently to February 28, 2014, the Company completed a private placement which totalled $3,315,000 (refer to note 17 for additional information).

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 preceding 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.

Any funding shortfalls 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 the amounts realized for assets might be less than amounts reflected in the condensed interim financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These 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*. Accordingly, these condensed interim financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

Basis of Presentation

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended May 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies, computing methods and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous financial year ended May 31, 2013.

(Unaudited, in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective June 1, 2013.

IAS 1, Presentation of Financial Statements, ("IAS 1")

The Company has adopted the amendments to IAS 1 effective June 1, 2013. These amendments required the Company to group other comprehensive income items based on whether or not they may be reclassified to net earnings or loss in the future. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IFRS 13, Fair Value Measurement, ("IFRS 13")

IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on June 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at June 1, 2013.

3. TAX CREDITS RECEIVABLE

	February 28, 2014	May 31, 2013
	$	$
Tax credits for resources	**56,775**	2,776,231
Credits on duties refundable for losses	**400,118**	400,785
	456,893	3,177,016
Less: Non-current portion of tax credits receivable	**100,219**	717,100
Current portion of tax credits receivable	**356,674**	2,459,916

These tax credits are related to qualifying mineral exploration expenditures incurred in the province of Québec.

4. EXPLORATION AND EVALUATION ASSETS

Montviel property (Rare Earth Element)

The Company owns 100% of the Montviel property, located approximately 100 km north of Lebel-sur-Quévillon and 45 km west of the Cree First Nation of Waswanipi. The Montviel property comprises of 187 claims totalling 104 km^2 as of February 28, 2014. The property carries a 2% net output royalty to NioGold Mining Corporation.

Anik property (Gold)

The Company owns 100% of the Anik property, located 40 km south of the town of Chapais. The Anik property consisted of 142 claims as of February 28, 2014.

McDonald property (Gold)

The Company owns 100% of the McDonald property, located 30 km east of the Montviel property. The McDonald property consisted of 345 claims (including 127 claims under application) as of February 28, 2014.

Following a review of the mineral property, the Company wrote-down $6,160 (nil – May 31, 2013) during the period ended February 28, 2014, as no further exploration work is planned on certain claims which will not be renewed.

La Trève property (Base metals)

The Company owns 100% of the La Trève property, located 12 km north of the town of Chapais. The La Trève property comprised 19 claims as of February 28, 2014.

Following a review of the mineral property, the Company wrote-off $4,044 (nil – May 31, 2013) during the period ended February 28, 2014, as no further exploration work was planned on the property.

Curières property (Graphite)

The Company owns 100% of the Curières property, located 10 km north of the town of l'Ascension. The Curières property consisted of 10 claims as of February 28, 2014.

Following a review of the mineral property, the Company wrote-off $1,695 (nil – May 31, 2013) during the period ended February 28, 2014, as no further exploration work was planned on the property.

Buckingham property (Graphite)

The Company owns 100% of the Buckingham property, located in the town of Buckingham. The Buckingham property consisted of 13 claims as of February 28, 2014.

(Unaudited, in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

	May 31, 2013	**February 28, 2014**
Mineral properties	7,097,799	**7,099,563**
Exploration and evaluation expenditures capitalized	7,255,800	**8,983,492**
Total exploration and evaluation assets	14,353,599	**16,083,055**

MINERAL PROPERTIES

	May 31, 2012	Additions	Impairment	May 31, 2013	**Additions**	**Impairment**	**February 28, 2014**
QUÉBEC	$	$		$	**$**		**$**
Montviel	7,051,327	2,155	-	7,053,482	**4,882**	**-**	**7,058,364**
Anik	7,020	12,662	-	19,682	**555**	**-**	**20,237**
McDonald	1,820	16,458	-	18,278	**6,672**	**(6,160)**	**18,790**
La Trève	2,912	1,030	-	3,942	**102**	**(4,044)**	**-**
Currières	1,050	-	-	1,050	**645**	**(1,695)**	**-**
Buckingham	1,365	-	-	1,365	**807**	**-**	**2,172**
Sydney	6,009	-	(6,009)	-	**-**	**-**	**-**
Émilie	5,469	100	(5,569)	-	**-**	**-**	**-**
Oriana	125,264	75,650	(200,914)	-	**-**	**-**	**-**
Other	59,084	8,590	(67,674)	-	**-**	**-**	**-**
	7,261,320	116,645	(280,166)	7,097,799	**13,663**	**(11,899)**	**7,099,563**

EXPLORATION AND EVALUATION EXPENDITURES CAPITALIZED

	May 31, 2012	Additions	Impairment	Tax Credits Receivable	May 31, 2013	**Additions**	**Tax Credits Receivable**	**February 28, 2014**
QUÉBEC	$	$	$	$	$	**$**	**$**	**$**
Montviel	4,366,899	3,693,228	(15,750)	(788,577)	7,255,800	**1,727,692**	**-**	**8,983,492**

(Unaudited, in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Office equipment	Vehicles	Exploration and Evaluation Equipment: Field Equipment and Base Camp	Exploration and Evaluation Equipment: Warehouse	Total
	$	$	$	$	$	$
Year ended May 31, 2013						
Opening net book value	1,044	22,393	38,923	389,721	153,091	605,172
Additions	-	3,466	-	-	-	3,466
Depreciation	(784)	(12,455)	(19,818)	(180,669)	(8,657)	(222,383)
Closing net book value	260	13,404	19,105	209,052	144,434	386,255
As at May 31, 2013						
Cost	2,350	40,831	59,454	542,008	159,388	804,031
Accumulated depreciation	(2,090)	(27,427)	(40,349)	(332,956)	(14,954)	(417,776)
Closing net book value	260	13,404	19,105	209,052	144,434	386,255
Period ended February 28, 2014						
Opening net book value	**260**	**13,404**	**19,105**	**209,052**	**144,434**	**386,255**
Additions	**-**	**-**	**-**	**122,228**	**-**	**122,228**
Disposition	**-**	**-**	**-**	**(18,930)**	**-**	**(18,930)**
Depreciation	**(260)**	**(9,341)**	**(14,863)**	**(134,716)**	**(6,493)**	**(165,673)**
Closing net book value	**-**	**4,063**	**4,242**	**177,634**	**137,941**	**323,880**
As at February 28, 2014						
Cost	**2,350**	**40,831**	**59,454**	**617,235**	**159,388**	**879,258**
Accumulated depreciation	**(2,350)**	**(36,768)**	**(55,212)**	**(439,601)**	**(21,447)**	**(555,378)**
Closing net book value	**-**	**4,063**	**4,242**	**177,634**	**137,941**	**323,880**

The field equipment and base camp includes equipment capitalized under finance leases with a net book value of $103,553 as at February 28, 2014 ($166,844 – May 31, 2013) and a depreciation charge of $9,413 ($109,986 - 2013) is included in the exploration and evaluation (“E&E”) assets capitalized for the nine month period ended February 28, 2014.

Depreciation of property and equipment related to exploration and evaluation assets is being capitalized as 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 $9,602 ($24,793 - 2013) was expensed to the depreciation of property and equipment while an amount of $156,071 ($141,994 – 2013) was capitalized as E&E assets during the nine month period ended February 28, 2014.

6. TRADE AND OTHER PAYABLES

	February 28, 2014	May 31, 2013
	$	$
Trade accounts payable	**369,105**	545,552
Salaries and source deductions payable	**116,674**	27,413
Accruals	**46,942**	58,573
	532,721	631,538

(Unaudited, in Canadian Dollars)

7. OBLIGATIONS UNDER FINANCE LEASES

	February 28, 2014 $	May 31, 2013 $
Obligation under finance lease, 13% (equipment), payable in monthly instalments, maturing in December 2015. At the end of the term, the Company may buy the equipment at a price of $10.	**101,160**	-
Obligation under finance lease, 11% (base camp), payable in monthly installments, maturing in July 2013. At the end of the term, the Company may buy the camp at a price of $100.	**-**	15,065
Obligation under finance lease (base camp), 8%, payable in monthly installments, maturing in June 2013. At the end of term, the Company may buy the camp at a price of $100.	**-**	2,688
	101,160	17,753
Current portion of obligations under finance leases	**52,195**	17,753
Non-current portion	**48,965**	**-**

The obligation under finance leases within the next two years is as follows:

	$
Minimum lease payments	114,253
Interest included in minimum lease payments	(13,093)
	101,160

8. FLOW-THROUGH SHARE LIABILITY

	February 28, 2014 $	May 31, 2013 $
Balance, beginning of the period	**203,433**	-
Addition during the period, net of issue costs[(i)]	**54,928**	569,293
Reduction related to the incurrence of qualifying exploration expenditures	**(243,155)**	(365,860)
Balance, end of the period	**15,206**	203,433

[(i)] The addition for the period represents the excess of the proceeds received from flow-through shares issued over the fair market value of the shares issued, net of issue costs of $7,542. The flow-through share liability is reduced as the company incurs qualifying flow-through expenses.

(Unaudited, in Canadian Dollars)

9. SHARE CAPITAL

(a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of common shares.

(b) Issued

	Number of Shares	Amount $
Balance - May 31, 2012	29,274,113	19,759,206
Private placement	5,376,000	2,058,840
Share issued – Oriana	40,000	17,200
Share issued – Separation process	50,000	15,750
Share issued – SIDEX	250,000	37,500
Share issue costs	-	(240,357)
Balance - May 31, 2013	34,990,113	21,648,139

	Number of Shares	**Amount $**
Balance - May 31, 2013	**34,990,113**	**21,648,139**
Private placements	**7,835,125**	**940,215**
Share issue costs	**-**	**(89,122)**
Balance – February 28, 2014	**42,825,238**	**22,499,232**

Nine month period ended February 28, 2014

On November 4 and December 3, 2013, the Company completed a private placement in two tranches and issued respectively 4,383,625 and 328,000 units at a price of $0.16 per unit for gross proceeds of $753,860. Each unit consisted of one common share and one-half warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.21 until November 4, 2016 and December 3, 2016 respectively. An amount of $565,395 was allocated to share capital and $188,465 was allocated to the value of the warrants. Issue costs totaling $58,493 were recorded as a reduction of share capital and warrants ($43,870 and $14,623 respectively).

On December 3, 2013, the Company issued 3,123,500 flow-through units at a price of $0.17 per flow-through unit for gross proceeds of $530,995. Each flow-through unit consisted of one flow-through common share and one-half non flow-through warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.25 until December 3, 2014. The flow-through premium was estimated at $62,470 and recorded as flow-through share liability. An amount of $374,820 was allocated to share capital and $93,705 was allocated to the value of the warrants. Issue costs totaling $64,108 were recorded as a reduction of share capital, warrants and flow-through share liability ($45,252, $11,314 and $7,542 respectively). In relation to this placement, the Company issued 242,400 non-transferable broker options for units (valued at $14,544). Each broker option for units entitles the holder to purchase one unit at a price of $0.17 until June 3, 2015. Each warrant issued upon the exercise of a broker option for units will have the same terms as the warrants issued as part of the flow-through units.

Year ended May 31, 2013

On October 24, 2012, the Company issued 40,000 common shares under the option agreement regarding the Oriana property (valued at $17,200 and issue costs of $625).

(Unaudited, in Canadian Dollars)

9. SHARE CAPITAL (Continued)

On November 22, 2012 and December 5, 2012, the Company completed a brokered flow-through private placement in two tranches and issued respectively 4,620,000 and 756,000 common shares at $0.50 each for gross proceeds of $2,688,000. The flow-through premiums were estimated respectively at $508,200 and $120,960 and recorded as flow-through share liability. In relation with this placement, the Company paid a cash commission of $188,160 to the brokers (total issue costs of $255,775 of which $59,867 was allocated to the flow-through share liability) and issued 268,800 non-transferable broker options (valued at $39,186) allowing the holder to acquire one common share of the Company at a price of $0.50 until respectively May 22, 2014 and June 5, 2014.

On February 26, 2013, the Company issued 50,000 common shares under the acquisition of a separation process for the Montviel project (valued at $15,750 and issue costs of $3,454).

On May 10, 2013, the Company issued 250,000 common shares to SIDEX as compensation for a bridge loan of $750,000 (valued at $37,500 and issue cost of $1,184).

10. WARRANTS

The following tables summarize the warrants outstanding as at February 28, 2014. Each warrant entitles the holder to subscribe to one common share.

	Number of warrants	Amount $	Weighted Average Exercise Price $
Balance - May 31, 2012	5,378,536	324,089	1.95
Expired	(1,111,104)	(301,919)	0.32
Balance as at May 31, 2013	**4,267,432**	**22,170**	**1.92**
Issued	**4,917,562**	**256,233**	**0.23**
Extended	**-**	**35,023**	**1.00**
Expired	**(2,315,159)**	**(22,170)**	**2.70**
Balance as at February 28, 2014	**6,869,835**	**291,256**	**0.43**

Expiration date	Number of warrants	Weighted Average Exercise Price $
September 2014	1,952,273	1.00
December 2014	1,561,750	0.25
November 2016	2,191,812	0.21
December 2016	164,000	0.21
July 2018	1,000,000	0.15
	6,869,835	

In connection with the private placement in two tranches completed on November 4, 2013 and December 3, 2013, the Company issued respectively 2,191,812 and 164,000 warrants allowing the holder to acquire an equivalent number of common shares at a price of $0.21 until November 4, 2016 and December 3, 2016, respectively. The warrants were recorded at a value of $173,842 ($188,465 less issue costs of $14,623) based on the Black-Scholes model using the following weighted average assumptions: risk free interest of 1.21%, expected life of 3 years, annualized volatility rate of 119% and dividend rate of 0%.

In connection with the flow-through private placement completed on December 3, 2013, the Company issued 1,561,750 warrants allowing the holder to acquire an equivalent number of common shares at a price of $0.25 until December 3, 2014. The warrants were recorded at a value of $82,391 ($93,705 less issue costs of $11,314) based on the Black-Scholes model using the following assumptions: risk free interest of 1.06%, expected life of one year, annualized volatility rate of 137% and dividend rate of 0%.

(Unaudited, in Canadian Dollars)

10. WARRANTS (Continued)

On September 10, 2013, the Company obtained all regulatory approvals to extend the expiry date of 1,952,273 warrants until September 30, 2014 from the original expiry date of September 30, 2013. Consequently, the fair value of the warrants were re-evaluated based on the Black-Scholes pricing model with the following assumptions: risk-free interest of 1.21%, expected life of 1 year, annualized volatility rate of 117% and dividend rate of 0%. The adjustment to the fair value in the amount of $35,023 was charged to the deficit. All other terms and conditions of the warrants remain unchanged.

On January 28, 2014, the Company obtained all regulatory approvals to issue 1,000,000 common share purchase warrants to Dr. Pouya Hajiani in exchange of all rights, title and interest in two patents related to the REE physical separation process. The warrants become exercisable upon demonstration of high purity (>99%) separation in a pilot plant using the REE physical separation process. Each warrant entitles Dr. Hajiani to acquire to one common share at an exercise price of $0.15 expiring July 1, 2018. As of February 28, 2014, the fair value of the warrants was evaluated at $nil since the demonstration has not been proven yet.

During the nine months ended February 28, 2014, there was no exercise of warrants and 2,315,159 warrants valued at $22,170 expired unexercised.

11. BROKER OPTIONS

The number of outstanding broker options as at February 28, 2014 which could be exercised for an equivalent number of units or common shares is as follows:

	Number of broker options for units	Amount $	Weighted Average Exercise Price $	Number of broker options for common shares	Amount $	Weighted Average Exercise Price $
Balance - May 31, 2012	134,750	518,787	2.35	225,187	70,170	0.55
Issued	-	-	-	268,800	39,186	0.50
Balance – May 31, 2013	**134,750**	**518,787**	**2.35**	**493,987**	**109,356**	**0.52**
Issued*	**242,400**	**14,544**	**0.17**	**-**	**-**	**-**
Expired	**(134,750)**	**(518,787)**	**2.35**	**(225,187)**	**(70,170)**	**0.55**
Balance – February 28, 2014	**242,400**	**14,544**	**0.17**	**268,800**	**39,186**	**0.50**

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

Expiration date	Number of broker options for units	Number of broker options for common shares	Weighted Average Exercise Price $
May 2014	-	231,000	0.50
June 2014	-	37,800	0.50
June 2015	242,400	-	0.17
	242,400	268,800	

In connection with the private placement completed on December 3, 2013, the Company issued 242,400 broker options for units allowing the holder to acquire an equivalent number of units at a price of $0.17 until June 3, 2015. The fair value of the broker options for units was estimated at $14,544. When granted, the fair value of the broker options, based on the fair value measured, indirectly, by reference to the fair value of the equity instruments granted (the fair value of services received cannot be estimated reliably), is recorded as an increase of the broker options and decrease of share capital and warrants, if units.

(Unaudited, in Canadian Dollars)

11. BROKER OPTIONS (continued)

The average fair value of the broker options for units of $14,544 ($nil in 2013) was estimated using the Binomial option pricing model and based on the following assumptions:

	Nine Months ended February 28, 2014
Share price at date of issue	**$0.12**
Dividend yield	**NIL**
Expected volatility	**123%**
Risk-free interest rate	**1.06%**
Expected life	**1 year**
Exercise price	**$0.17**

The underlying expected volatility was determined by reference to historical data of Company's shares on the TSX Venture Exchange. During the nine months ended February 28, 2014, there was no exercise of broker options and 359,937 broker options valued at $588,957 expired unexercised.

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 which 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 one-quarter per nine-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 June 28, 2013, the Company granted 225,000 stock options to a director at an exercise price of $0.15 for five years.

On July 22, 2013, the Company granted 225,000 stock options to a director at an exercise price of $0.16 for five years.

On September 19, 2013, the Company granted 225,000 stock options to a director at an exercise price of $0.17 for five years.

On January 23, 2014, the Company granted 180,000 stock options to employees at an exercise price of $0.295 for five years.

(Unaudited, in Canadian Dollars)

12. STOCK OPTIONS (continued)

All share-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 February 28, 2014:

	Number of Options	Weighted Average Exercise Price $
Outstanding - May 31, 2012	2,278,540	1.41
Granted	930,000	0.42
Forfeited	(365,000)	1.14
Outstanding - May 31, 2013	**2,843,540**	**1.00**
Granted	**855,000**	**0.18**
Expired	**(413,905)**	**1.53**
Forfeited	**(429,635)**	**1.09**
Outstanding- February 28, 2014	**2,855,000**	**0.81**

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	2,080,000	0.31	3.06	1,012,500	0.36
1.01 to 2.00	625,000	1.51	2.60	625,000	1.51
2.01 to 3.00	150,000	2.08	2.50	150,000	2.08
	2,855,000			1,787,500	

The weighted average assumptions to calculate the fair value of the stock options granted using the Black-Scholes model are as follows:

	Nine Months Ended February 28, 2014	Year Ended May 31, 2013
Average share price at date of grant	**$0.18**	$0.42
Dividend yield	**NIL**	NIL
Expected weighted volatility	**121%**	117%
Risk-free interest rate	**1.58%**	1.37%
Expected average life	**3.75 years**	3.75 years
Average exercised price at date of grant	**$0.18**	$0.42

The underlying expected volatility was determined by reference to historical data of Company's shares on the TSX Venture Exchange. In total, $29,351 of share-based compensation was recognized during the nine months ended February 28, 2014 with $17,752 included in the statement of loss and comprehensive loss and $11,779 capitalized in E&E assets (respectively $629,087 and $97,387 for 2013).

During the nine months ended February 28, 2014, there was no exercise of stock options, 413,905 stock options expired unexercised and 429,635 stock options were forfeited.

(Unaudited, in Canadian Dollars)

13. EXPLORATION AND EVALUATION EXPENSES

	Three Months Ended February 28		Nine Months Ended February 28	
	2014	2013	**2014**	2013
	$	$	**$**	$
Salaries, Geology and prospection	**-**	47,682	**25,883**	236,535
Lodging and Travel expenses	**-**	2,486	**890**	104,458
Analysis	**-**	10,201	**1,797**	70,409
Supplies and Equipment	**-**	-	**1,027**	3,587
Taxes, permits, insurance and claims	**-**	885	**56**	2,077
Exploration and evaluation expenses before tax credits	**-**	61,254	**29,653**	417,066
Tax credits	**-**	-	**-**	(132,647)
Exploration and evaluation expenses	**-**	61,254	**29,653**	284,419

14. LOSS PER SHARE

The calculation of basic loss per share is based on the 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 stock options, broker 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 warrants, broker options and stock options issued that could potentially dilute earnings per share in the future are given in notes 10, 11 and 12.

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 and the Vice-President Exploration. Key management personnel remuneration includes the following expenses:

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Short-term employee benefits				
Salaries including benefits	**123,125**	107,071	**371,803**	432,249
Social security costs	**5,363**	5,857	**18,889**	19,950
Professional fees	**9,500**	9,000	**38,000**	15,000
Total short-term employee benefits	**137,988**	121,928	**428,692**	467,199
Share-based compensation	**31,295**	144,387	**152,611**	504,077
Total remuneration	**169,283**	266,315	**581,303**	971,276

On November 4, 2013 and December 3, 2013, four key management personnel subscribed for 215,500 units issued at a price of $0.16 for a total of $34,480. Also on December 3, 2013, one key management personnel subscribed for 73,500 flow-through units issued at a price of $0.17 for a total of $12,495. As of February 28, 2014, the trade and other payables included an amount of $112,917 ($3,390 in 2013) payable to related parties.

(Unaudited, in Canadian Dollars)

16. COMMITMENTS

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

	Minimum Lease Payments Due			
	Within 1 year	1 to 5 years	After 5 years	Total
	$	$	$	$
February 28, 2014	16,840	-	-	16,840

The Company leases its office and an offsite location under a lease agreements expiring respectively in September 2014 and in November 2016. In each lease agreement, the Company has 90 days to terminate the agreement.

The minimum lease payments recognized as an expense during the reporting period amounted to $21,005 ($20,394 - 2013) and $12,376 (nil – 2013) capitalized in the E&E assets. No sublease payment or contingent rent payment was made or received. The Company’s operating lease agreement does 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 the lease agreement are used exclusively by the Company.

b) As at February 28, 2014, the Company has to incur $147,000 in qualifying exploration expenditures by December 2014 to meet its flow-through liability as described in note 8 and 9. At this time, Management anticipates meeting that obligation and as a result, no additional provisions are required.

17. SUBSEQUENT EVENTS

a) On March 19, 2014, the Company closed a first tranche of its brokered private placement announced on February 28, 2014 and issued 2,037,333 units and 1,450,000 flow-through common shares at a price of $0.60 and $0.70 respectively for gross proceeds of $2,237,400. Each unit consisted of one common share and one-half warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.90 until September 19, 2015. As part of the first tranche, the Company paid commission fees of $145,431 and issued 174,367 non-transferable broker options. Each broker option entitles the holder to acquire one common share at a price of $0.60 until September 19, 2015. A director who is also an officer of the Company purchased 17,250 units for $10,350.

b) On March 31, 2014, 60,000 stock options were forfeited.

c) In March and April 2014, respectively 60,562 and 468,750 warrants were exercised at a price of $0.21 for total proceeds of $111,156.

d) In April 2014, 183,000 broker options units were exercised at a price of $0.17 for total proceeds of $31,110. The Company issued 183,000 commons shares and 91,500 warrants. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.25 until December 3, 2014.

e) On April 14, 2014, the Company completed the second tranche of its brokered private placement announced in February 2014 and issued 1,796,000 units at a price of $0.60 for gross proceeds of $1,077,600. Each unit has the same terms as those issued on March 19, 2014. As part of the second tranche closing, the Company paid commission fees of $49,363 and issued 89,800 non-transferable broker options. Each broker option entitles the holder to acquire one common share at a price of $0.60 until October 14, 2015.