Geomega Resources Inc.

Consolidated Financial Statements

For the years ended May 31, 2019 and 2018

Independent auditor's report

To the Shareholders of Geomega Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Geomega Resources Inc. and its subsidiary (together, the Company) as at May 31, 2019 and 2018 and June 1, 2017, and its financial performance and its cash flows for the years ended May 31, 2019 and 2018 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at May 31, 2019 and 2018 and June 1, 2017;
- the consolidated statements of (loss) income and comprehensive (loss) income for the years ended May 31, 2019 and 2018;
- the consolidated statements of changes in equity for the years ended May 31, 2019 and 2018;
- the consolidated statements of cash flows for the years ended May 31, 2019 and 2018; and
- the notes to consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 to the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Emphasis of matter - Restatement

We draw attention to note 4 to the consolidated financial statements, which explains that certain comparative information presented for the year ended May 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Maxime Guilbault.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
September 13, 2019

[1] CPA auditor, CA, public accountancy permit No. A128042

Geomega Resources Inc.
Consolidated Statements of Financial Position
(in Canadian Dollars)

	Note	As at May 31, 2019	As at May 31, 2018 Restated*	As at June 1, 2017 Restated*
		$	$	$
Assets				
Current assets				
Cash		33,438	726,786	80,690
Accounts receivable	5	23,256	15,519	203,613
Sales tax receivable		17,330	9,637	21,420
Tax credits and government grant receivable	6	21,717	43,690	66,383
Prepaid expenses and others		17,463	24,498	24,523
Current assets		113,204	820,130	396,629
Non-current assets				
Investment in an associate	7	2,039,287	1,792,242	1,537,681
Property and equipment	8	120,393	132,752	184,127
Non-current assets		2,159,680	1,924,994	1,721,808
Total assets		**2,272,884**	**2,745,124**	**2,118,437**
Liabilities				
Current liabilities				
Trade and other payables		336,323	333,179	389,994
Tax credits payable	6	-	84,999	-
Liability related to share exchange rights	14	500,000	500,000	477,840
Convertible debentures	9	106,661	-	-
Current liabilities		942,984	918,178	867,834
Non-current liabilities				
Convertible debentures	9	-	91,120	-
Total liabilities		**942,984**	**1,009,298**	**867,834**
Equity				
Share capital		29,241,753	29,133,500	28,210,935
Equity component of convertible debentures		3,300	3,300	-
Warrants	11	267,024	680,489	691,579
Broker options		-	-	8,195
Stock options		343,326	315,460	413,604
Contributed surplus		4,279,526	3,780,142	3,442,881
Deficit		(32,769,526)	(32,155,770)	(31,508,230)
Equity attributable to Geomega Resources Inc.'s shareholders		1,365,403	1,757,121	1,258,964
Non-controlling interests		(35,503)	(21,295)	(8,361)
Total equity		**1,329,900**	**1,735,826**	**1,250,603**
Total liabilities and equity		**2,272,884**	**2,745,124**	**2,118,437**

Going concern (Note 1), Subsequent events (Note 24).
* See note 4.6 for details of previous years' restatement due to an error.
The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board

(s) Kiril Mugerman	*(s) Gilles Gingras*
Kiril Mugerman	Gilles Gingras
Director, President and CEO	Director

Geomega Resources Inc.

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

For the years ended May 31, 2019 and 2018
(in Canadian Dollars, except number of common shares)

	Note	Fiscal 2019	Fiscal 2018 Restated*
		$	$
Operating Expenses			
Salaries, employee benefits, settlement and share-based compensation	17	124,396	119,660
Directors fees	17	45,000	42,500
Renunciation of directors' fees	17	-	(52,500)
Exploration and evaluation expenses, net of tax credits	18	215,570	319,945
Professional fees		167,445	274,184
Travel, conference and investor relations		97,859	9,830
Administration		27,073	35,354
Filing fees		40,092	38,018
Rent		55,322	37,913
Insurance, taxes and permits		24,252	30,216
Operating loss		**(797,099)**	**(855,120)**
Other income (expenses)			
Interest expense		(12,953)	(14,964)
Finance costs		(15,541)	(39,740)
Share of loss of an associate	7	(929,664)	(514,867)
Net gain on dilution of investment in an associate	7	1,176,709	769,428
		218,551	**199,857**
Net loss and comprehensive loss		**(578,458)**	**(655,263)**
Net loss attributable to:			
Geomega Resources Inc. shareholders		**(564,250)**	**(642,329)**
Non-controlling interests		**(14,208)**	**(12,934)**
Basic and diluted loss per share		**(0.006)**	**(0.008)**
Weighted average number of basic and diluted outstanding shares		**90,132,798**	**79,702,843**

* See note 4.6 for details of a previous year's restatement due to an error.

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

Geomega Resources Inc.

Consolidated Statements of Changes in Equity

For the years ended May 31, 2019 and 2018

(in Canadian Dollars, except number of common shares)

	Note	Number of shares outstanding	Capital stock	Equity component of convertible debentures	Warrants	Broker Options	Stock Options	Contributed surplus	Deficit	Equity attributable to Geomega Resources Inc.	Non-controlling interest	Total equity
			$	$	$	$	$	$	$	$	$	$
Balance at June 1, 2017		**78,258,049**	**28,210,935**	**-**	**691,579**	**8,195**	**413,604**	**3,442,881**	**(31,558,230)**	**1,208,964**	**(8,361)**	**1,200,603**
Restatement due to an error	4.6.1	-	-	-	-	-	-	-	50,000	50,000	-	50,000
Balance at June 1, 2017 restated*		**78,258,049**	**28,210,935**	**-**	**691,579**	**8,195**	**413,604**	**3,442,881**	**(31,508,230)**	**1,258,964**	**(8,361)**	**1,250,603**
Net loss and comprehensive loss restated	4.6.2	-	-	-	-	-	-	-	(642,329)	(642,329)	(12,934)	(655,263)
Shares issued for private placements		8,902,000	662,576	-	102,624	-	-	-	-	765,200	-	765,200
Share issuance costs		-	(12,145)	-	(1,879)	-	-	-	-	(14,024)	-	(14,024)
Convertible debentures		-	-	7,049	49,489	-	-	-	-	56,538	-	56,538
Shares issued in debt settlement		948,299	85,347	-	-	-	-	-	-	85,347	-	85,347
Conversion of debentures		1,250,000	101,671	(3,749)	-	-	-	-	-	97,922	-	97,922
Shared-based compensation		-	-	-	-	-	85,217	-	-	85,217	-	85,217
Expired stock options		-	-	-	-	-	(183,361)	183,361	-	-	-	-
Exercised warrants		714,286	85,116	-	(20,830)	-	-	-	-	64,286	-	64,286
Extended warrants		-	-	-	5,211	-	-	-	(5,211)	-	-	-
Expired warrants		-	-	-	(145,705)	-	-	145,705	-	-	-	-
Expired broker options		-	-	-	-	(8,195)	-	8,195	-	-	-	-
Balance at May 31, 2018		**90,072,634**	**29,133,500**	**3,300**	**680,489**	**-**	**315,460**	**3,780,142**	**(32,155,770)**	**1,757,121**	**(21,295)**	**1,735,826**

* See note 4.6 for details of a previous year's restatement due to an error.

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

Geomega Resources Inc.

Consolidated Statements of Changes in Equity

For the years ended May 31, 2019 and 2018

(in Canadian Dollars, except number of common shares)

	Note	Number of shares outstanding	Capital stock	Equity component of convertible debentures	Warrants	Stock-Options	Contributed surplus	Deficit	Equity attributable to Geomega Resources Inc.	Non-controlling interest	Total equity
			$	$	$	$	$	$	$	$	$
Balance at May 31, 2018 as presented		**90,072,634**	**29,133,500**	**3,300**	**680,489**	**315,460**	**3,780,142**	**(32,335,402)**	**1,577,489**	**(21,295)**	**1,556,194**
Restatement due to an error	4.6.2	-	-	-	-	-	-	179,632	179,632	-	179 632
Balance at May 31, 2018 restated*		**90,072,634**	**29,133,500**	**3,300**	**680,489**	**315,460**	**3,780,142**	**(32,155,770)**	**1,757,121**	**(21,295)**	**1,735,826**
Net loss and comprehensive loss		-	-	-	-	-	-	(564,250)	(564,250)	(14,208)	(528,458)
Shared-based compensation		-	-	-	-	95,507	-	-	95,507	-	95,507
Exercised stock options	13	127,500	19,088	-	-	(8,063)	-	-	11,025	-	11,025
Expired stock options		-	-	-	-	(59,578)	59,578	-	-	-	-
Exercised warrants	11	550,000	89,165	-	(23,165)	-	-	-	66,000	-	66,000
Expired warrants	11	-	-	-	(439,806)	-	439,806	-	-	-	-
Extended warrants	11	-	-	-	49,506	-	-	(49,506)	-	-	-
Balance at May 31, 2019		**90,750,134**	**29,241,753**	**3 300**	**267,024**	**343,326**	**4,279,526**	**(32,769,526)**	**1,365,403**	**(35,503)**	**1,329,900**

* See note 4.6 for details of a previous year's restatement due to an error.

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

Geomega Resources Inc.
Consolidated Statements of Cash Flows
For the years ended May 31, 2019 and 2018
(in Canadian Dollars)

	Note	Fiscal 2019	Fiscal 2018 Restated*
		$	$
Operating activities			
Net loss		(578,458)	(655,263)
Restatements for:			
Share-based compensation		95,507	85,217
Depreciation	8	47,654	62,775
Finance costs		15,541	39,740
Share of loss of an associate	7	929,664	514,867
Net gain on dilution of investment in an associate	7	(1,176,709)	(769,428)
Changes in non-cash working capital items	23	(68,277)	315,102
Cash flows used in operating activities		**(735,078)**	**(406,990)**
Investing activities			
Additions of property and equipment	8	(35,295)	(11,400)
Cash flows used in investing activities		**(35,295)**	**(11,400)**
Financing activities			
Proceeds from issuance of units, net of issue costs		-	765,200
Proceeds from issuance of convertible debentures, net of issue costs		-	235,000
Exercise of warrants	11	66,000	64,286
Exercise of stock options		11,025	-
Cash flows from financing activities		**77,025**	**1,064,486**
Net change in cash		**(693,348)**	**646,096**
Cash – beginning		726,786	80,690
Cash – ending		**33,438**	**726,786**

* See note 4.6 for details of previous years' restatements due to an error.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Geomega Resources Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act and is engaged in the acquisition, exploration and evaluation of mining properties in Canada. The Corporation's shares are listed on the TSX Venture Exchange (the "Exchange") under symbol GMA. The address of the Corporation's registered office and principal place of business is 75, de Mortagne Boulevard, Boucherville, Quebec, Canada, J4B 6Y4. These audited consolidated financial statements (the "Financial Statements") were approved by the Corporation's Board of Directors on September 13, 2019.

The Corporation has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the ability of the Corporation to obtain necessary financing to pursue the exploration and evaluation on its mining properties.

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 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. For the year ended May 31, 2019, the Corporation reported a net loss of $578,458 and has accumulated a deficit of $32,769,526 up to that date. As at May 31, 2019, the Corporation had a negative working capital of $829,780.

Management estimates that the negative working capital is not sufficient to meet the Corporation's obligations and commitments and budgeted expenditures through May 31, 2020. These circumstances lend a significant doubt as to the ability of the Corporation to ensure its continuity of operation and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Corporation'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. The Financial Statements do not reflect the restatement 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 restatements could be material.

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 Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in the Financial Statements.

After the end of the year, the Corporation completed a private placement for $1,232,000 to finance the development of a permanent magnet recycling demonstration plant. Refer to note 24 on subsequent events for more details.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the *International Financial Reporting Standards* ("IFRS") as issued by the *International Accounting Standards Board* ("IASB").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of measurement

These financial statements have been prepared on a historical cost basis. The Corporation has elected to present the statement of (loss) income and comprehensive (loss) income in a single statement.

3.2 Consolidation

The Financial Statements include the accounts of the Corporation and those of its subsidiary Innord Inc. ("Innord") owned at 96.16% on May 31, 2019 and 2018. Control refers to the power to govern an entity's financial and operating policies in order to derive benefits from its operations. All intra-group transactions, balances, income and expenses are eliminated during consolidation.

3.3 Non-controlling interests

Non-controlling interests represent an equity interest in a subsidiary owned by an outside party. The share of net assets of the subsidiary attributable to the non-controlling interests is presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity. Changes in the Corporation's ownership interest in the subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.4 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Corporation operates (the "functional currency"). The functional and presentation currency of the Corporation and Innord is the Canadian dollar.

3.5 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term liquid investments with original maturities of 3 months or less or cashable at any time without penalties.

3.6 Investments in an associate

Associates are entities over which the Corporation has significant influence, but not control. The financial results of the Corporation's investments in its associates are included in the Corporation's results according to the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Corporation's share of comprehensive income or loss of the associates after the date of acquisition. The Corporation's share of profits or losses is recognized in the statement of (loss) income and its share of other comprehensive income or loss of associates is included in other comprehensive (loss) income.

Unrealized gains on transactions between the Corporation and an associate are eliminated to the extent of the Corporation's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of (loss) income.

The Corporation assesses at each period-end whether there is any objective evidence that its investments in associates are impaired. If impaired, the carrying value of the Corporation's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the statement of (loss) income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Exploration and evaluation expenses

Exploration and evaluation ("E&E") expenses include rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

E&E expenses also include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore such as topographical, geological, geochemical and geophysical studies. Expenditures relating to E&E activities are expensed as incurred.

E&E include costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes, including the separation process, for the Corporation's mining properties;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

The E&E expenses are recorded in the statement of (loss) income until such time as the technical feasibility and commercial viability has been established that supports the future development of the property, and such development receives the Board of Directors approval, at which time the mine project moves into the development phase.

E&E include overhead expenses directly attributable to the related activities.

The Corporation has taken steps to verify the validity of title to mineral properties on which it is conducting exploration activities and is acquiring interests in accordance with industry standards that apply to the current stage of E&E of such property. However, these procedures do not guarantee the Corporation's title, as property title may be subject to unregistered prior agreements, aboriginal claims or noncompliance with regulatory requirements.

3.8 Research and development costs

Research costs are expensed during the year in which the expenses are incurred. Development costs are capitalized when they meet the criteria for capitalization in accordance with IAS 38 "Intangible Assets".

3.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Repairs and maintenance costs are charged to the statement of (loss) income during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the property and equipment less their residual values over their estimated useful lives using the straight-line method and following periods by major categories:

Leasehold improvements	Lease term
Office equipment	3 years
Vehicles	3 years
Field equipment and base camp related to E&E activities	3 to 5 years
Warehouse related to E&E activities	15 years

Depreciation of property and equipment, if related to exploration activities, is expensed consistently with the policy for E&E expenses. For those which are not related to E&E activities, depreciation expense is recognized directly in the statement of (loss) income.

Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Residual values, methods of depreciation and useful lives of the assets are reviewed annually and restated if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recorded in the statement of (loss) income.

3.10 Tax credits and mining rights receivable

The Corporation is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the E&E expenses incurred.

3.11 Investment tax credits

Investment tax credits are recognized when there is reasonable assurance that the Corporation has complied with, and will continue to comply with, all conditions necessary to obtain such assistance. The Corporation incurs research and development expenses that are eligible for investment tax credits. Refundable investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to audit by tax authorities.

Investment tax credits are recognized as a reduction of the cost of the related assets or expenses in the year in which the expenditures are made when management deems that there is reasonable assurance that the conditions for government assistance or investment tax credits have been met.

3.12 Government grants

The Corporation's subsidiary, Innord, receives financial assistance under government incentive programs for research and development. Government grants are recognized initially as government grants receivable at fair value when there is reasonable assurance that it will be received and Innord will comply with the conditions associated with the grant. Grants that compensates Innord are recognized as a reduction of the related expenditures (in the statements of financial position or statements of income (loss) depending on the nature of the expenditures).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Impairment of non-financial assets

Property and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been restated.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the statement of (loss) income. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

3.14 Convertible debentures

The liability, equity and other (when applicable) components of convertible debentures are presented separately on the statement of financial position, starting from initial recognition. The Corporation determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. Subsequently, the liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible debenture at maturity which is recorded in the statement of (loss) income as finance cost.

The carrying amount of other components (when applicable), such as warrants, is obtained by deducting the nominal value of the debentures and the present value of future capital payments at the prevailing market rate for a convertible debenture without warrants.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible debenture and is presented in Equity as an equity component of convertible debenture. The equity component is not re-measured subsequent to initial recognition, except on conversion or expiry.

The transaction costs are distributed between liability, equity and other components (when applicable), on a pro-rata basis according to their carrying amounts.

3.15 Provisions, contingent liabilities and contingent assets

Provisions for environmental restoration, restructuring costs and legal claims, where applicable, are recognized when: (i) the Corporation has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as finance costs. Changes in assumptions or estimates are reflected in the period in which they occur.

Provision for environmental restoration represents the legal and constructive obligations associated with the eventual closure of the Corporation's property and equipment. These obligations consist of costs associated with reclamation and monitoring of activities and the removal of tangible assets. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been restated.

The Corporation's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Corporation's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible, given that the Corporation's operations are still in the E&E stage. A restoration provision will be recognized in the cost of the property and equipment when there is constructive or legal commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Corporation that do not yet meet the recognition criteria of an asset are considered contingent assets. Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized.

3.16 Flow-through shares

The Corporation finances some E&E expenses through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference between the amounts recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability which is reversed into the statement of (loss) income as a recovery of deferred income taxes when the eligible expenditures are incurred. The amount recognized as a flow-through share liability represents the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares, net of allocated issue costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 IFRS 9, Financial instruments

The Corporation has for the first time adopted the requirements of IFRS 9 - Financial Instruments, with an initial application date of June 1, 2018. This standard replaces the guidelines for IAS 39, Financial Instruments: Accounting and Valuation ("IAS 39"). IFRS 9 eliminates the categories of financial instruments "available for sale" and "held to maturity" as well as the requirement to present integrated derivatives for hybrid financial assets separately. This standard incorporates a new model for hedge accounting that expands the scope of covered items eligible for hedging accounting and more closely links hedging accounting to risk management. This standard also changes the depreciation model by introducing a new "anticipated credit loss" model for calculating depreciation. This new standard also requires more information about the entity's risk management strategy, cash flows from hedging activities, and the impact of hedge accounting on financial statements.

IFRS 9 uses a single approach to determine whether an asset is measured at an amortized cost or at fair value, replacing the multiple rules set out in IAS 39. The approach advocated in IFRS 9 is based on the way the entity manages its financial instruments and on the characteristics of the contractual cash flows of financial assets. Most of the IAS 39 requirements for the classification and valuation of financial liabilities and the derecognition of financial assets have been retained in IFRS 9.

The following table summarizes changes in the classification and valuation of the Corporation's financial assets and liabilities resulting from the adoption of IFRS 9.

	IAS 39	IFRS 9
Financial Assets		
Cash and Cash equivalent	Loans and receivables	At amortized cost
Accounts receivable	Loans and receivables	At amortized cost
Government grants receivable	Loans and receivables	At amortized cost
Financial Liabilities		
No change	-	-

The accounting of these instruments and the items in which they are included in the statements of financial position are not impacted by the adoption of IFRS 9.

In accordance with the transitional provision of IFRS 9, the financial assets and liabilities held on June 1, 2018 were reclassified retrospectively with prior period restatement based on the new classification requirements taking into account the business model under which they are held at June 1, 2018 and the cash flow characteristics of the financial assets at their date of initial recognition.

There were no measurement restatements to the opening balances as at June 1, 2018 and 2017 and to the year ended May 31, 2018.

a) Financial assets

Financial assets are initially measured at fair value. If the financial asset is not subsequently fair value accounting through net income, then the initial valuation includes transaction costs that are directly attributable to the acquisition or asset generation. At the time of initial accounting, the Corporation categorizes its financial instruments into the following categories, depending on the purposes for which the instruments were acquired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

At amortized cost:
Financial assets at amortized cost are non-derivative financial assets with specified or determinable payments that consist exclusively of capital and interest payments held under a business model whose purpose is to collect these amounts. Financial assets at amortized cost are initially recorded at the amount expected to receive less, when significant, a discount to bring them back to fair value. Subsequently, financial assets at amortized cost are assessed using the current interest rate method, which is reduced by a provision for anticipated losses. Cash and cash equivalents, accounts receivable, sales taxes receivable and tax credits and government grants receivable are classified in this category.

b) Financial liabilities

At amortized cost:
Trade and other payables, and the liability component of the convertible debentures, are initially recorded at the amount to be paid less, when significant, a discount to bring this amount back to fair value. Subsequently, they are assessed at the amortized cost using the effective interest rate method.

c) Depreciation of financial assets

At amortized cost:
The expected loss represents the difference between the amortized cost of financial assets and the present value of anticipated future cash flows, discounted to the instrument's initial effective interest rate. The book value of the asset is reduced by this amount either directly or indirectly through a value correction account. Provisions for anticipated losses are restated upwards or downwards in subsequent periods if the amount of the anticipated loss increases or decreases. The Corporation believes that there is no significant increase of credit risk for the financial instruments with low credit risk.

3.18 Current income and mining taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of (loss) income, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity. Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

The current income and mining tax charge is the expected tax payable or receivable on the taxable loss for the year, using the tax laws enacted or substantively enacted at the statement of financial position date in the jurisdictions where the Corporation operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

3.19 Deferred income and mining taxes

The Corporation uses the asset and liability method of accounting for income and mining taxes. Under this method, deferred income and mining tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred income and mining tax assets and liabilities are measured using enacted or substantively enacted tax rates (and laws) that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income and mining tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income and mining tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income or mining taxes levied by the same taxation authority on either the same taxable entity where there is an intention to settle the balances on a net basis.

Changes in deferred tax assets or liabilities are recognized as deferred income tax recovery in the statement of (loss) income, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity. As management intends to realize the carrying value of its assets and settle the carrying value of its liabilities through the sale of its E&E properties, the related deferred tax has been calculated accordingly.

3.20 Basic and diluted income or loss per share

The calculation of income or loss per share is based on the weighted average number of shares outstanding for each period. The basic income or loss per share is calculated by dividing the income or loss attributable to the equity owners of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted income or loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted income or loss per share assumes that the proceeds to be received on the exercise of dilutive stock options, warrants and broker options are used to repurchase common shares at the average market price during the period.

The computation of diluted income or loss per share assumes the conversion or exercise only when such conversion, exercise or issuance would have a dilutive effect on the income per share. When the Corporation reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding stock options, broker options and warrants.

3.21 Equity

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

Common shares, stock options, warrants and broker options are classified as equity. Incremental costs directly attributable to the issuance of shares, stock options, warrants and broker options are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

3.22 Issuance of units

Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Equity-settled share-based compensation

The Corporation offers an equity settled share-based compensation plan for its eligible directors, officers, employees and consultants. Each award is considered a separate award with its own vesting periods and fair value. Fair value is measured at the date of grant using the Black-Scholes option pricing model.

Any consideration paid on exercise of share options is credited to share capital. None of the Corporation's plans feature any options for a cash settlement. The accumulated expenses resulting from stock options are transferred to share capital when the options are exercised.

All equity settled share-based compensation (except broker options) are ultimately recognized as an expense in the statement of (loss) income with a corresponding credit to stock options, in equity. Equity settled share-based compensation to broker, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to broker options in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options or warrants expected to vest. Non-market vesting conditions are included in assumptions about the instruments that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of instruments expected to vest differs from previous estimates. Any cumulative restatement prior to vesting is recognized in the current period.

3.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the statement of (loss) income, on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses are charged to the statement of (loss) income as incurred.

The Corporation leases certain equipment. Leases of equipment for which the Corporation has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased equipment or the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance costs. The corresponding rental obligations, net of finance charges, are included in obligation under finance leases. The interest element of the finance cost is charged to the statement of (loss) income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Corporation.

3.25 Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognized in the period in which the services are rendered and is not discounted.

The expected cost of compensated absences is recognized in the statement of (loss) income as the employees render services that increase their entitlement. The cost of bonus payments is recognized in the statement of (loss) income when there is a legal or constructive obligation to make such payments as a result of past performance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.26 Segment reporting

The Corporation currently has one operating segment, the exploration and evaluation of mineral resources in Canada.

3.27 Accounting standards issued but not yet effective

The Corporation has not yet adopted certain standards, interpretations to existing standards and amendments that have been issued but have an effective date of later than June 1, 2019. Many of these updates are not relevant to the Corporation and are therefore not discussed herein.

a) IFRS 16 Leases

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases ("IAS 17"), and related interpretations. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 will eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
(b) depreciation of lease assets separately from interest on lease liabilities in the statement of (loss) income.

The Corporation will apply this new standard on June 1, 2019. Management is currently evaluating the impact of this standard on the consolidated financial statements of the Corporation.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ERRORS

The preparation of financial statements in conformity with IFRS requires the Corporation's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results may differ from those estimates.

The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

4.1 Going concern

The assessment of the Corporation's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ERRORS (CONT'D)

4.2 Income taxes and recoverability of potential deferred tax assets

Periodically, the Corporation evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if the Corporation believes that it is probable that some portion of the deferred tax assets will fail to be realized, the Corporation records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires management to make significant judgment. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statement of financial position date could be impacted. Significant judgment is required in determining the income tax recovery as there are transactions and calculations for which the ultimate tax determination is uncertain. Management intends to realize the carrying value of its assets and settle the carrying amount of its liabilities through the sale of its E&E properties, which is an important judgment.

4.3 Refundable credit on mining duties and refundable tax credit related to resources

The refundable credit for resources and refundable credit on mining duties (the “tax credits”) for the current period and prior periods are measured at the amount the Corporation expects to recover from the tax authorities as at the closing date. However, uncertainties remain as to the interpretation of tax rules and the amount and timing of the recovery of such tax credits. To determine whether the expenses it incurs are eligible, the Corporation must exercise considerable judgment and interpretation, which makes the recovery of tax credits uncertain. Accordingly, there may be a significant difference between the recorded amount of tax credits receivable and the actual amount of tax credits received following the tax authorities' review of issues whose interpretation is uncertain. Should such a difference arise, an restatement would have to be made to tax credits receivable and provisions may potentially need to be recognized for previous tax credits received by the Corporation. It may take considerable time for the tax administration to render its decisions on issues related to tax credits, and it can therefore take a long time to recover tax credits. Tax credits that the Corporation expects to recover within more than one year are classified as non-current assets. The amounts recognized in the financial statements are based on the Corporation's best estimates and according to its best judgment, as stated above.

However, given the uncertainty inherent in obtaining the approval of the relevant tax authorities, the amount of tax credits that will actually be recovered or the amount to be repaid, as well as the timing of such recovery or repayment, could differ materially from the accounting estimates, which would affect the Corporation's financial position and cash flows.

4.4 Liability related to share exchange rights

The put option is classified as a financial liability using the present-access method. Under this method, non-controlling interests continue to be recognized because the non-controlling shareholders still have present access to the returns associated with the underlying ownership interests. Therefore, the offsetting entry to the financial liability is posted to deficit.

Estimates and assumptions used to calculate the value of the liability related to share exchange rights include the interest rate used to discount the amount of redemption (8%) and the estimated period of time over which the different exchange rights could be exercised by the non-controlling shareholders.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ERRORS (CONT'D)

4.5 Carrying value of the components of the convertible debentures

The liability and equity components of the convertible debentures are presented separately on the statement of financial position starting from initial recognition. The Corporation determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option and then warrants. The prevailing market rate used for the calculation and the identification of similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option and then warrants is a significant estimate of the Corporation and a change in the rate could impact the carrying value of the liability component and consequently of the equity component and also impacts the accretion expense which is recorded over the term of the convertibles debentures.

4.6 Correction of errors

4.6.1 Trade and other payables

During the preparation of the 2019 annual financial statements, management found an error in trade and other payables, which were overstated by $50,000 relating from an error relating to the 2017 financial statements. The Corporation owes $50,000 to a supplier for preliminary economic assessment work conducted between 2013 and 2015. In return for this account payable, a deposit of $50,000 had been made to pay the last invoices related to this work, a deposit which was classified in the E&E assets of the Montviel property. In 2017, a change in accounting policies was made and E&E assets were reclassified as expenses in the consolidated statement of loss. As a result, the $50,000 deposit was expensed, so there was no counterpart on the statement of financial position to compensate for the account payable. This deposit should have been compensated with the account payable at the time of the change of accounting policy.

4.6.2 Calculation of gain on dilution of investment in an associate

In October 2018, management also found an error in the May 31, 2018 financial statements. The gain on dilution of the investment in an associate was made by calculating the difference between the Corporation's interest in Kintavar Exploration Inc. ("Kintavar") as at May 31, 2018 compared to its stake at the end of Kintavar's third quarter, September 30, 2017. Rather, the change between the participation as at May 31, 2018 and at the end of the Corporation's previous quarter, February 28, 2018, should have been considered for the calculation. Considering that 7,420,756 shares were issued by Kintavar between September 30, 2017 and February 28, 2018, the Corporation's ownership decreased by more than 4%, creating a significant gap that needed to be restated. The investment in an associate and the gain on dilution of an investment in an associate were understated by $129,632 as of May 31, 2018.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ERRORS (CONT'D)

4.6.3 Extract from the consolidated Statement of financial position

	As at May 31, 2018, as presented	Restatement	As at May 31, 2018, Restated*
	$	$	$
Investment in an associate	1,662,610	129,632	1,792,242
Total assets	**2,615,492**	**129,632**	**2,745,124**
Trade and other payables	383,179	(50,000)	333,179
Total liabilities	**1,059,298**	**(50,000)**	**1,009,298**
Deficit	(32,335,402)	179,632	(32,155,770)
Equity	**1,556,194**	**179,632**	**1,735,826**
Total liabilities and equity	**2,615,492**	**129,632**	**2,745,124**

	As at May 31, 2017, as presented	Restatement	As at May 31, 2017 Restated*
	$	$	$
Trade and other payables	439,994	(50,000)	389,994
Total liabilities	**917,834**	**(50,000)**	**867,834**
Deficit	(31,558,230)	50,000	(31,508,230)
Equity	**1,200,603**	**50,000**	**1,250,603**
Total liabilities and equity	**2,118,437**	**-**	**2,118,437**

4.6.4 Extract from the consolidated Statement of income and comprehensive income

	Fiscal 2018, as presented	Restatement	Fiscal 2018 Restated*
	$	$	$
Net gain on dilution of investment in an associate	639,796	129,632	769,428
Net loss and comprehensive loss	**(784,895)**	**129,632**	**(655,263)**
Net loss attributable to			
Shareholders of Geomega Resources Inc.	**(771,961)**	**129,632**	**(642,329)**
Non-controlling interests	**(12,934)**	**-**	**(12,934)**

* See note 4.6 for details of a previous year's restatement due to an error.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ERRORS (CONT'D)

4.6.5 Extract from the Consolidated statement of Cash Flows

	Fiscal 2018, as presented	Restatement	Fiscal 2018 Restated*
	$	$	$
Net loss	(784,895)	129,632	(655,263)
Restatement for:			
Net gain on dilution of investment in an associate	(639,796)	(129,632)	(769,428)
Cash flows used in operating activities	**(406 990)**	**-**	**(406 990)**

* See note 4.6 for details of a previous year's restatement due to an error.

5. ACCOUNTS RECEIVABLE

	As at May 31, 2019	As at May 31, 2018
	$	$
Receivables	10,469	15,519
Other accounts receivables	12,787	-
Accounts receivable	**23,256**	**15,519**

6. TAX CREDITS AND GOVERNMENT GRANTS RECEIVABLE AND PAYABLE

a) Tax credits receivable

	As at May 31, 2019	As at May 31, 2018
	$	$
Refundable tax credits	3,995	40,835
Government grants	17,722	2,855
Current portion of tax credits receivable	**21,717**	**43,690**

Refundable tax credits are related to qualifying mineral exploration expenses incurred in the province of Québec. The government grants are related to expenditures on research and development incurred by the Corporation's subsidiary, Innord.

6. TAX CREDITS AND GOVERNMENT GRANTS RECEIVABLE AND PAYABLE (CONT'D)

b) Tax credits payable

	As at May 31,2019	As at May 31,2018
	$	$
Tax credits for resources	-	61,322
Refundable tax credits	-	3,265
Interest payable	-	20,412
Current portion of tax credits payable	-	**84,999**

On August 31, 2018, the Corporation received a notice of assessment from a tax authority for the years ended May 31, 2012 and 2013, denying certain expenses in the calculation of tax credits for resources and refundable tax credits.

As a result, at May 31, 2018, the Corporation recorded an amount payable of $84,999 in regard to that matter in the statement of financial position which resulted in increased expenses in the statement of (loss) income for $64,587 in E&E expenses as well as an administration fee of $20,412.

These amounts were repaid in full during the fiscal year 2019.

7. INVESTMENT IN AN ASSOCIATE

Kintavar is the Corporation's only associate. Kintavar's share capital consists solely of ordinary shares, which are held directly by the Corporation. Kintavar is incorporated in Canada where its exploration and evaluation activities on bearing properties are carried out. The proportion of ownership interest is the same as the proportion of voting rights held. The investment in Kintavar is accounted for under the equity method. Its fair value as May 31, 2019 is $3,571,429 (17,857,143 shares at $0.20, closing price on the Exchange). The Corporation categorized the fair value measurement as Level 1, as it is derived from quoted prices in active markets. As a result of the issuance of shares, exercise of warrant and stock options of Kintavar, the Corporation's interest in Kintavar was diluted from 28.76% as at May 31, 2018 to 21.77% as at May 31, 2019 (38.75% as at June 1, 2017)

	As at May 31,2019	As at May 31,2018
	$	$
Balance at beginning of period	1,792,242	1,537,681
Share of net loss	(929,664)	(514,867)
Net gain from dilution of the interest	1,176,709	769,428
Balance at end of period	**2,039,287**	**1,792,242**

The following common shares issued by Kintavar to the Corporation are subject to resale restriction periods as follows:

- 12,499,998 common shares, released;
- 2,678,571 common shares, will be released on September 30, 2019; and
- 2,678,574 common shares will be released on March 31, 2020.

17,857,143 total common shares

8. PROPERTY AND EQUIPMENT

		E&E Equipment			
	Office equipment	**Vehicles**	**Equipment and Camp**	**Warehouse**	**Total**
	$	**$**	**$**	**$**	**$**
Fiscal 2018					
Opening net book value	-	-	85,820	98,307	184,127
Additions	-	11,400	-	-	11,400
Depreciation	-	(3,800)	(51,540)	(7,435)	(62,775)
Closing net book value	-	7,600	34,280	90,872	132,752
As at May 31, 2018					
Cost	**14,984**	**30,724**	**617,023**	**159,388**	**822,119**
Accumulated depreciation	**(14,984)**	**(23,124)**	**(582,743)**	**(68,516)**	**(689,367)**
Closing net book value	**-**	**7,600**	**34,280**	**90,872**	**132,752**

		E&E Equipment			
	Office equipment	**Vehicles**	**Equipment and Camp**	**Warehouse**	**Total**
	$	**$**	**$**	**$**	**$**
Fiscal 2019					
Opening net book value	-	7,600	34,280	90,872	132,752
Additions	-	-	35,295	-	35,295
Depreciation	-	(3,800)	(35,503)	(8,351)	(47,654)
Closing net book value	-	3,800	34,072	82,521	120,393
As at May 31, 2019					
Cost	**14,984**	**30,724**	**652,318**	**159,388**	**857,414**
Accumulated depreciation	**(14,984)**	**(26,924)**	**(618,246)**	**(76,867)**	**(737,021)**
Closing net book value	**-**	**3,800**	**34,072**	**82,521**	**120,393**

Depreciation of property and equipment related to E&E properties is being recorded within E&E expenses. Depreciation of property and equipment other than related to E&E is recorded on the statement of (loss) income under depreciation of property and equipment. An amount of $47,654 ($62,775 – in Fiscal 2018) was expensed as E&E expenses during the year ended May 31, 2019.

9. CONVERTIBLE DEBENTURES

	As at May 31, 2019	**As at May 31, 2018**
	$	**$**
Balance at beginning of period	91,120	-
Addition, net	-	171,462
Conversion	-	(97,922)
Accretion expense	15,541	17,580
Current portion	**106,661**	**-**
Balance at end of period	**-**	**91,120**

9. CONVERTIBLE DEBENTURES (CONT'D)

On August 11, 2017, the Corporation closed a $235,000 non-brokered private placement of units (the "Offering"). Each unit was comprised of one unsecured convertible debenture in the principal amount of $1,000 and 5,000 warrants. The convertible debentures have a two-year maturity period (refer to note 24 on subsequent events) and bear interest at 10% per annum, compounded quarterly and payable at maturity. The Corporation has the option to pay such interest by delivering such number of common shares as may be required, at an issue price per share based upon the 20-day volume weighted average price ("VWAP") of the Corporation's common shares on the Exchange on the due date of the interest payment. Any such interest payment in common shares shall be subject to the approval of the TSXV.

Each warrant entitles the holder to purchase one common share at a price of $0.12 per share until the date which is twenty-four months from the closing.

The debentures are convertible into common shares at the option of the holder at any time prior to the maturity date based on the following conversion price, subject to restatement in certain events: (i) at a price of $0.10 per common share if converted during the period of twelve months from the closing of the Offering; and (ii) at a price of $0.12 per common share if converted during the period following the twelve month anniversary of the closing until the date which is twenty-four months from the closing.

The convertible debentures are subject to redemption, in whole or in part, by the Corporation should the Corporation realize gross proceeds from a subsequent private placement of securities or as a result of the exercise of the warrants in an amount equal to the gross proceeds of the Offering at any time following the closing of the Offering upon giving the holders of the convertible debentures not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the convertible debentures plus all accrued and unpaid interest up to and including the redemption date plus a redemption premium as follows: (i) 10% during the first six months following the closing of the Offering; (ii) 5% from the six month anniversary of the closing to the twelve month anniversary following the closing; (iii) 3% following the twelve month anniversary following the closing until the maturity date. A holder of convertible debentures may elect to convert its convertible debentures by providing the Corporation with a written notice to that effect within five business days of the receipt by the holder of the redemption notice.

On January 3, 2018, a holder of debentures converted $125,000 of debentures into common shares at a deemed price of $0.10 per share pursuant to the terms of the convertible debenture. The Corporation issued the 1,250,000 common shares on January 22, 2018.

10. SHARE CAPITAL

10.1 Authorized Share Capital

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

10.2 Private placements

a) May 2 and 14, 2018

On May 2 and May 14, 2018, the Corporation closed a non-brokered private placement in two tranches consisting of 6,250,000 units at a price of $0.08 per unit for aggregate gross proceeds of $500,000. Each unit being comprised of one common share and one-half warrant, each whole warrant entitling the holder hereof to acquire one share at a price of $0.15 per share for 2 years.

10. SHARE CAPITAL (CONT'D)

From the total proceeds received from the units, $63,504 has been allocated to warrants and $436,496 to capital stock, according to a pro rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 86.2% and 91.2% and a risk free interest rate of 1.93% and 1.98% for the first and second tranche respectively and an expected life of the warrants of 2 years.

Share issue expenses totalled $9,251 of which $8,076 was allocated to capital stock and $1,175 to warrants.

b) May 18, 2018

On May 18, 2018, the Corporation closed a non-brokered private placement consisting of 2,652,000 units at a price of $0.10 per unit for aggregate gross proceeds of $265,200. Each unit being comprised of one common share and one-half warrant, each whole warrant entitling the holder hereof to acquire one share at a price of $0.15 per share for 2 years.

From the total proceeds received from the units, $39,120 has been allocated to warrants and $226,080 to capital stock, according to a pro rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 91.2%, a risk-free interest rate of 2.03% and an expected life of the warrants of 2 years.

Share issue expenses totalled $4,773 of which $4,069 was allocated to capital stock and $704 to warrants.

10.3 Shares for debt

On October 19, 2017, the Corporation's Board of Directors approved the issuance of 948,299 common shares at a deemed price of $0.09 per share, for the settlement of a combined debt of $85,347 of which $65,347 represents the amount due to the current and previous directors for their fees and $20,000 due to the CFO for professional fees. On January 16, 2018, the Exchange approved the issue of shares in settlement for debt and the Corporation issued the shares in accordance with the settlement on January 22, 2018.

11. WARRANTS

Changes in the Corporation's warrants are as follow:

	Fiscal 2019		Fiscal 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Opening	11,019,416	0.18	12,104,131	0.16
Issued	-	-	5,626,000	0.14
Exercised	(550,000)	0.12	(714,286)	0.09
Expired	(4,090,638)	0.23	(4,996,429)	0.09
Cancelled	-	-	(1,000,000)	0.15
Balance, end	**6,378,778**	**0.16**	**11,019,416**	**0.18**

11. WARRANTS (CONT'D)

Warrants outstanding as at May 31, 2019 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
625,000	Year 1: 0.10 / Year 2: 0.12	August 11, 2019
825,000	0.15	May 2, 2020
2,300,000	0.15	May 14, 2020
1,326,000	0.15	May 18, 2020
1,302,778	0.23	June 19, 2020 (extended)
6,378,778		

On April 23, 2019, five debenture holders exercised a total of $550,000 in warrants at a price of $0.12 per share for a total value of $66,000.

On June 14, 2018, the 1,302,778 warrants due to expire on June 19, 2018 have been extended by two years. The estimated fair value of the warrant extension is $49,506 which has been recorded under warrants and the offsetting entry is recorded in the deficit. This fair value was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follow for the two periods respectively: no expected dividend yield, 89.73% and 0.82% expected volatility, 1.93% and 1.25% risk-free interest rate and 2.02 and 0.02 years warrant expected life. These 1,302,778 warrants were extended for the first time on June 19, 2017.

On February 20, 2018, 714,286 warrants at an exercise price of $0.09 were exercised for an amount of $64,286.

12. BROKER OPTIONS

Changes in the Corporation's broker options are as follow:

	Fiscal 2019			Fiscal 2018		
	Number of broker options	**Carrying Value**	**Weighted average exercise price**	**Number of broker options**	**Carrying Value**	**Weighted average exercise price**
		$	$		$	$
Balance, Opening	-	-	-	204,875	8,195	0.09
Expired	-	-	-	(204,875)	(8,195)	0.09
Balance, end	-	-	-	-	-	-

13. STOCK OPTIONS

Changes in the Corporation's stock options are as follows:

	Fiscal 2019		Fiscal 2018	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
		$		$
Balance, opening	4,530,000	0.11	4,450,000	0.14
Granted	3,050,000	0.09	1,445,000	0.09
Expired	(470,000)	0.18	(1,072,500)	0.23
Exercised	(127,500)	0.09	-	-
Forfeited	(417,500)	0.09	(292,500)	0.09
Balance, end	**6,565,000**	**0.10**	**4,530,000**	**0.11**
Balance, end, exercisable	3,760,000	0.10	3,060,000	0.12

The number of options outstanding as of May 31, 2019 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
265,000	265,000	0.26	September 17, 2019
30,000	30,000	0.14	January 23, 2020
300,000	300,000	0.09	September 13, 2020
530,000	530,000	0.07	November 22, 2020
1,520,000	1,520,000	0.095	November 29, 2021
895,000	671,250	0.09	October 19, 2022
400,000	100,000	0.085	August 28, 2023
400,000	100,000	0.08	September 14, 2023
975,000	243,750	0.085	November 20, 2023
350,000	-	0.08	December 10, 2023
400,000	-	0.09	March 13, 2024
500,000	-	0.16	April 12, 2024
6,565,000	3,760,000		

On October 19, 2017 and November 20, 2018, the Corporation shareholders renewed the option to call for shares plan, which stipulates that the maximum number of common shares in the Corporation's capital that could be reserved for allocation under the 10% of the outstanding shares.

On April 12, 2019, the Corporation granted a consultant 500,000 stock options, priced at $0.16, valid for 5 years. The fair value of these stock options is $43,500, or a fair value of $0.087 per option. The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: 1.63% risk-free interest rate, 84% expected volatility, no dividend per share and the expected duration of the 3.75-year options.

On March 13, 2019, the Corporation granted a consultant 400,000 stock options, priced at $0.09, valid for 5 years. The fair value of these stock options is $21,200, or a fair value of $0.053 per option. The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: 1.66% risk-free interest rate, 83% expected volatility, no dividend per share and the expected duration of the 3.75-year options.

13. STOCK OPTIONS (CONT'D)

On December 10, 2018, the Corporation granted two consultants a total of 350,000 stock options at a price of $0.08. The fair value of these stock options is $15,750, or a fair value of $0.045 per option. The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: risk-free interest rate of 2.01%, expected volatility of 88%, no dividend per share and expected duration of 3.75-year options.

On November 20, 2018, the Corporation granted its directors, officers, employees and consultants 1,000,000 stock options, at a price of $0.085, valid for 5 years. The fair value of these stock options is $53,000, or a fair value of $0.053 per option. The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: risk-free interest rate of 2.26%, expected volatility of 88%, no dividend per share and expected duration of 3.75-year options.

On September 14, 2018, the Corporation granted an employee 400,000 stock options, priced at $0.08, valid for 5 years. The fair value of these stock options is $20,000, or a fair value of $0.05 per option. The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: risk-free interest rate of 2.22%, expected volatility of 89%, no dividend per share and expected duration of 3.75-year options.

On August 28, 2018, the Corporation granted a consultant 400,000 stock options, priced at $0.085, valid for 5 years. The fair value of these stock options is $20,000, or a fair value of $0.05 per option. The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: risk-free interest rate of 2.20%, expected volatility of 91%, no dividend per share and expected duration of 3.75-year options.

On November 14, 2017, the Corporation granted a consultant 500,000 stock options, priced at $0.085, valid for 5 years. The fair value of these stock options is $26,000, or a fair value of $0.052 per option. The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: 1.65% risk-free interest rate, 97% expected volatility, no dividend per share and the expected duration of the 3.75-year options. This consultant is no longer with the Corporation and its options were waived in fiscal 2019.

On October 19, 2017, the Corporation granted its directors, officers, employees and consultants 945,000 options exercisable at $0.09, valid for 5 years. Total stock-based compensation costs amount to $54,810 for an estimated fair value of $0.058 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 102% expected volatility, 1.65% risk-free interest rate and 3.75 years options expected life.

In exception to the grant of April 12, 2019 for which the options are earned in increments of 25% every 3 months, all options granted bear the same conditions. From the date of the grant, the options are earned in increments of 25% every 6 months, are valid for 5 years and have been granted at a value equal to or greater than that of the market at the close before the grant.

This expected life was estimated by benchmarking comparable situations for companies that are similar to the Corporation. The expected volatility was determined by calculating the historical volatility of the Corporation's share price back from the date of grant and for a period corresponding to the expected life of the options.

14. NON-CONTROLLING INTEREST

On June 3, 2016, the Corporation concluded a subscription agreement with two institutional investors, Société de dévelopement de la Baie-James (“SDBJ”) and the Administration régionale Baie-James (“ARBJ”) to finance the development of the process prototype to separate mixed rare earth elements concentrate into pure individual rare earth oxides. Each institutional investor invested $125,000 for 2 shares in Innord, for a total of $250,000. As a result, the Corporation now owns 96.16% of Innord.

Following the fulfillment of certain conditions that were achieved during Fiscal 2018, investors may apply as of June 3, 2019 for the corporation to redeem 50% of the shares for a total of $ 250,000 in cash. Following the repurchase of the shares, a 0.05% royalty on the net proceeds from the commercial production of a separation plant located in Quebec would be granted to investors. The Corporation may redeem this royalty for $ 50,000. Also, following a redemption of the shares under this option, the Corporation would have an option to repurchase 50% of the shares for a total cash consideration of $250,000.

In addition, the Subscription Agreement contains other share conversion trigger events:

- In the event of a sale of the separation process to a third party or change of control of the Corporation, investors may request that the Corporation repurchase 100% of the shares by:
  - Issuing its own shares for a value of $ 500,000.
  - Granting a royalty of 0.1% of the net proceeds of mineral substances on the Anik property (now owned by Kintavar), redeemable by the Corporation at any time for $125,000.
- If there is no economic benefits (no processing plant built on the James Bay territory or no announcement of Montviel mine within five years of the implementation of a separate plant), the investors can request the Corporation to buy back 100% of the shares for a total of $500,000 cash, or to buy back 100% of the shares by issuing its own shares for a value of $500,000. And Investors can request that the corporation redeem royalty on the separation plant for $50,000.

Not controlling the outcome of the different options of institutional investors, the Corporation recorded a $500,000 liability related to share exchange rights corresponding to the option where the investors would exchange their shares in Innord against shares of the Corporation.

	Fiscal 2019	Fiscal 2018
	$	**$**
Balance, opening	500,000	477,840
Accretion expense	-	22,160
Liability related to exchange rights	**500,000**	**500,000**

15. CAPITAL MANAGEMENT

The Corporation's objective in managing capital is to safeguard its ability to continue its operations as well as its E&E programs. The Corporation manages its capital structure and makes restatements to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares and acquire or sell mining rights to improve its financial performance and flexibility. In addition, in Fiscal 2018, the Corporation issued units of convertible debentures (note 9) and common shares (note 10). Common shares were also issued after May 31, 2019 (note 24) and part of the investment of Kintavar was sold (note 24). The Corporation's capital is composed of equity and balances and changes in equity are presented in the statement of changes in shareholders’ equity.

15. CAPITAL MANAGEMENT (CONT')

The Corporation is not subject to externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, unless the Corporation closes a flow-through private placement in which case the funds are reserved in use for exploration expenses.

16. 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 outstanding during the period. In calculating the diluted loss per share, potential common shares such as stock options, broker options, warrants and share exchange rights have not been included, as they would have the effect of decreasing the loss per share from continuing operations. Decreasing the loss per share from continuing operations would be antidilutive.

17. REMUNERATION

	Fiscal 2019	**Fiscal 2018**
	$	**$**
Wages, salaries	391,239	266,705
Benefits	33,188	49,456
Share-based compensation	58,696	85,217
	483,123	401,378
Salaries and benefits recorded in E&E expenses	(294,385)	(262,221)
Share-based payments recorded in E&E expenses	(19,342)	(29,497)
Directors fees	(45,000)	(42,500)
Renunciation of director fees[1]	-	52,500
Salaries, employee benefits, settlement and share-based compensation presented on the statement of (loss) income	**124,396**	**119,660**

1) During the first quarter of 2018, two directors waived their director fees for a total of $52,500.

18. EXPLORATION AND EVALUATION EXPENSES

Montviel	Fiscal 2019	Fiscal 2018
	$	$
Acquisition and maintenance	**10,337**	**8,085**
Exploration		
Salaries and benefits	437	6,177
Share-based compensation	7,440	19,343
Geology	1,272	239
Transport and lodging	6,883	639
Geophysics and Geochemistry	-	14,882
Depreciation of property and equipment	12,151	11,235
Taxes, permits and insurances	5,595	2,057
Billing - rental	(48,621)	(33,620)
Total exploration	**(14,843)**	**20,952**
Evaluation		
Salaries and benefits – Separation process	305,851	266,199
Separation process	101,692	48,134
Depreciation of property and equipment	35,502	51,540
Total Evaluation	**443,045**	**365,873**
Total gross E&E expenses	**438,539**	**394,910**
Government grants	(176,587)	(124,209)
Net tax credits	(46,382)	49 244
Net E&E expenses - Montviel	**215,570**	**319,945**

18.1 Montviel property (Rare Earth Elements and Niobium)

The Corporation 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 177 mining claims totalling 9,831 hectares as at May 31, 2019.

The property is subject to a royalty of 2% of the net proceeds. On May 27, 2015, the Corporation entered into an agreement with the purchaser under which an option, without charge, was granted to redeem the 2% royalty on Montviel for $ 2 million.

18.2 Buckingham property (Graphite)

On April 6, 2016, the Corporation signed a property purchase agreement with Saint Jean Carbon Inc. ("Saint Jean") whereby Saint Jean acquired a 100%-interest in the Buckingham mining property. All these shares were sold in Fiscal 2017. The Corporation retains a 0.75% net output returns royalty on the property that was measured at a symbolic value.

18. EXPLORATION AND EVALUATION EXPENSES (CONT'D)

18.3 Patent ownership and royalty agreement

On August 11, 2017, the Corporation and Innord entered into a patent ownership and royalty agreement (the "Agreement") with its Chief Technology Officer ("CTO") to insure the long-term development and commercialization of the Corporation's proprietary rare earths extraction and separation technologies. The Agreement replace the 2013 agreement that granted the CTO 1,000,000 warrants in exchange for the transfer by the CTO of certain intellectual property rights to the Corporation, and which warrants have been cancelled pursuant to the Agreement. On October 19, 2017, the Agreement was approved by the shareholders of the Corporation at the annual meeting of the shareholders.

The Extraction Royalty and the Separation Royalty (the "Royalties") to be granted to the CTO on commercialization under the Agreement may be summarized as follows:

- Extraction Royalty of 1.5% of the Net Profits for the extraction products. The royalty will increase to 2% if the gross profit margin of the operation ("GPM"), before subtracting the Royalties, is greater than 40% and it will be reduced to 1% if the GPM, before subtracting the Royalties, is less than 15%.
- Separation Royalty of 3% of the Net Sales Revenue for the separation products. The royalty will increase to 4% if the GPM, before subtracting the Royalties, is greater than 40% and it will be reduced to 2.5% if the GPM, before subtracting the Royalties, is less than 15%.

Pursuant to the Agreement, commercialization is deemed to occur at the earliest of:

- Oxide separation at a rate of 50 kg/day of Separation Products in oxide form for at least (i) 10 consecutive business days or (ii) 20 business days during any 2-month period, and the receipt by the Corporation of the full payment of a first order relating to such production.
- Montviel production – if the Corporation's Montviel project has reached 100% of nameplate capacity or 12 months after reaching 60% capacity or after reaching 60% of capacity and no longer ramping up to 100%.

In addition, and in order to secure the long term commitment of the CTO, the Agreement provides that development work not currently covered by the patents that the Corporation has already filed, will be jointly owned by the CTO and the Corporation (for the extraction work) and Innord (for the separation work) until commercialization at which point such rights shall be assigned to the Corporation and Innord, as the case may be. Notwithstanding the CTO's joint ownership rights in respect of new development work described above, the CTO shall not have any right to make, use, sell, dispose, offer for sale, grant licenses, import, export or otherwise distribute products or practice processes covered by one or more claims of the patents or any intellectual property without the prior written consent of the Corporation and/or Innord, which may be withheld in their sole discretion. Nevertheless, if there is a change of control or if there is no commercialization, the CTO would be granted a non-exclusive commercialization licence.

19. INCOME TAXES

The income tax expense is made up of the following components:

	Fiscal 2019	Fiscal 2018
	$	**$**
Deferred income tax recovery		
Amortization of flow-through share liability	-	(98,442)
Total recovery of deferred income taxes	**-**	**(98,442)**

9. INCOME TAXES (CONT'D)

The Corporation's effective income tax rate differs from the combined federal and provincial income tax rate in Canada. This difference arises from the following items:

	Fiscal 2019	**Fiscal 2018 Restated***
	$	**$**
Loss before income taxes	(578,458)	(655,264)
Income taxes calculated using the combined federal and provincial income tax rate in Canada of 26.6% (26.7% in Fiscal 2018)	(153,870)	(174,955)
Increase (decrease) in income taxes resulting from the following:		
Non-deductible items	(3,659)	(3,155)
Rate change	339	988
Restatement from prior year	789	5,645
Unrecognized temporary differences	156,401	171,478
Deferred income tax recovery	**-**	**-**

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, some deferred tax assets have not been recognized; these deferred tax assets not recognized amount to $6,669,695 ($6,480,561 in 2018).

Significant components of the Corporation's deferred income tax assets and liabilities are as follows:

	As at May 31, 2019	**As at May 31, 2018**
	$	**$**
Deferred income tax assets:		
Intangible assets	4,237	4,237
Property and equipment	137,821	131,274
Deductible share issue expenses	6,759	14,713
E&E assets	3,054,081	3,062,494
Operating losses carried forward	3,467,682	3,272,846
Total deferred income tax assets	6,670,580	6,485,564
Deferred income tax liabilities		
Convertible debentures	(885)	(5,003)
Total deferred income tax assets non recognized	**6,669,695**	**6,480,561**

* See note 4.6 for details of a previous year's restatement due to an error.

9. INCOME TAXES (CONT'D)

As at May 31, 2019, expiration dates of losses available to reduce future years' income for tax purposes are:

	Federal	Provincial
	$	$
2039	749,043	749,043
2038	647,951	624,217
2037	1,062,368	1,020,859
2036	1,379,945	1,379,946
2035	2,026,827	2,026,827
2034	1,483,287	1,483,287
2033	2,398,375	2,444,550
2032	1,943,591	1,943,591
2031	563,968	563,968
2030	16,391	16,391
2029	1,718	1,718
Total	**12,273,464**	**12,254,397**

20. FINANCIAL ASSETS AND LIABILITIES

Objectives and policies concerning financial risk management

The Corporation is exposed to different financial risks resulting from its operating, investing and financing activities. The management of financial risks is done by the management of the Corporation. The Corporation does not enter into agreements for financial instruments, including financial derivatives, for speculation purpose.

20.1 Interest rate risk

When the Corporation has cash balances, the its current policy is to invest excess cash in certificates of deposit or high interest savings accounts of major Canadian chartered banks. As of May 31, 2019, and 2018, the Corporation had no investment. The other financial assets and liabilities of the Corporation do not bear interest. The Corporation does not use financial derivatives to decrease its exposure to interest risk. A variation of plus or minus 1% change in the rates would not have a material impact on the assets and liabilities and net loss of the Corporation.

20.2 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they become due. The Corporation's ability to continue as a going concern is dependent on management's ability to raise the funds required through future debt or equity financings, asset sales or exploration option agreements, off-take or forward sales agreements, the granting of royalties or a combination thereof. The Corporation's liquidity and operating results may be adversely affected by delays in receiving the tax credits receivable from the Quebec government (or securing financing against the tax credit) and if the Corporation's access to the capital market or other alternative forms of financing is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. The Corporation has historically generated cash flow primarily from its financing activities.

20. FINANCIAL ASSETS AND LIABILITIES (CONT'D)

As at May 31, 2019, the Corporation had cash of $33,438 and accounts receivable of $79,766 to settle current financial liabilities of $942,984. All of the Corporation's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms except for liability related to share exchange rights corresponding to the option where the institutional investors would exchange their shares in Innord (note 14). The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (note 1). Refer to note 24 for details on incoming cash flows subsequent to May 31, 2019.

20.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Generally, the maximum credit risk is equivalent to the carrying value of financial assets exposed to credit risk, less any impairment. The Corporation is subject to credit risk through cash and accounts receivables. The Corporation reduces its credit risk by maintaining its cash in Canadian chartered bank accounts from which management believes the risk of loss is minimal. In addition, the accounts receivables are with Kintavar, held at 21.77% by the Corporation.

20.4 Fair value of financial instruments

The carrying value of cash, accounts receivables, trade and other payables and liability related to share exchange rights are considered to be a reasonable approximation of their fair value because of the short-term maturity and contractual terms of these instruments. The carrying value of the convertible debentures as May 31, 2019 is $106,661 and the fair value is $110,000. The Corporation categorized the fair value measurement of the liability related to share exchange rights and the convertible debentures as Level 3, as it is derived from inputs that are not based on observable market data.

21. RELATED PARTY TRANSACTIONS

21.1 Transactions with related parties

In the normal course of business:

- A firm in which an officer is a partner charged professional fees amounting to $30,523 ($55,630 in Fiscal 2018);
- A company controlled by an officer (in office until October 24, 2018) charged professional fees of 80,216 ($95,396 in Fiscal Year 2018) for Chief Financial Officer services and for its accounting staff;
- As at May 31, 2019, the balance due to related parties amounted to $6,666 ($62,198 as at May 31, 2018).

Out of the normal course of business:

- Directors and officers of the Corporation exercised 175,000 warrants in 2019 for a total value of $21,000.

21. RELATED PARTY TRANSACTIONS (CONT'D)

21.2 Billing according to agreement with Kintavar

	Fiscal Year 2019	Fiscal Year 2018
	$	**$**
Exploration and evaluation, net of tax credits	49,472	41,540
Travel, conventions and investor relations	23,009	-
Administration	118	122
Filling fees	-	6,576
Rent	12,975	10,500
Total	**85,574**	**58,738**

As of May 31, 2019, Kintavar's receivable amount was $23,241 ($15,519 as of May 31, 2018).

22. LEASE AGREEMENT

Future minimum rental payments are as follows:

	As of May 31, 2019	As of May 31, 2018
	$	$
Less than a year	6,001	5,438
From 1 to 5 years	-	-
More than 5 years	-	-
Total	**6,001**	**5,438**

The Corporation leases its offices under contracts expiring in March 2021.Under the lease agreement, the Corporation may terminate the contract with 30 days' notice.

23. ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED CASH FLOW STATEMENT

Change in non-cash working capital items

	2019	2018 Restated*
	$	**$**
Accounts receivable	(7,737)	188,094
Sales taxes receivable	(7,693)	11,783
Tax credits receivable	21,973	22,693
Prepaid and other expenses	7,035	25
Creditors and accrued expenses	3,144	7,508
Tax credits payable	(84,999)	84,999
	(68,277)	**315,102**

* See note 4.6 for details of a previous year's restatement due to an error.

23. ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

Non-cash transactions

	2019	2018
	$	$
Issue of shares in debt settlement	-	85,347
Debenture conversion	-	97,922

24. SUBSEQUENT EVENTS

On July 3 and 10, 2019, the Corporation closed a private placement in two tranches consisting of 8,800,215 units at a price of $0.14 for total gross proceeds of $1,232,010. Each unit being comprised of one share and one half-warrant, each whole warrant entitling the holder hereof to acquire one share at a price of $0.20 per share for 2 years.

On June 14, 2019, the Corporation entered into a private transaction for the sale of 1,000,000 of its shares in Kintavar at a price of $0.16 per share, for gross proceeds of $160,000, less transaction costs of $16,000. A net gain of $0.0298 per share for a total of $29,800 was generated by this transaction. The transaction was made in accordance with the available prospectus exemptions and constitutes a single sale of Kintavar shares. Following this transaction, Geomega owns 20.55% of Kintavar's outstanding shares and thus retains its significant influence.

On July 29, 2019, the Corporation granted a consultant 250,000 stock options, at a price of $0.175, valid for 5 years. These options were granted at a value superior to that of the market at the time grant.

On August 11, 2019, all holders of the convertible debentures exercised their right to convert the debenture into common shares at $0.12 per share. A total of 916,665 shares were issued following this conversion.