



Geomega Resources Inc.

Unaudited Condensed Interim Consolidated Financial Statements

Three months ended August 31, 2019

*The attached financial statements have been prepared by management
Geomega Resources Inc. and were not reviewed by auditors*

Geomega Resources Inc.
Consolidated Statements of Financial Position
(Unaudited, in Canadian dollars)

	Note	As at August 31 2019 \$	As at May 31 2019 \$
Assets			
Current assets			
Cash and cash equivalents	4	982,014	33,438
Accounts receivable		57,722	23,256
Sales taxes receivable		38,193	17,330
Tax credits and government grant receivable		40,455	21,717
Prepaid expenses and others		139,095	17,463
Stocks		6,251	-
Asset held for sale	7	81,078	-
Current assets		1,344,808	113,204
Non-current assets			
Investment in an associate	5	1,859,291	2,039,287
Property and equipment	6	30,464	120,393
Non-current assets		1,889,755	2,159,680
Total assets		3,234,563	2,272,884
Liabilities			
Current liabilities			
Trade and other payables		364,251	336,323
Liability related to share exchange rights		500,000	500,000
Convertible debentures	8	-	106,661
Total Current liabilities		864,251	942,984
Total liabilities		864,251	942,984
Equity			
Share capital	9	30,458,278	29,241,753
Equity component of convertible debentures	8	-	3,300
Warrants	10	383,091	267,024
Broker warrants	11	5,742	-
Stock options	12	352,564	343,326
Contributed surplus		4,314,935	4,279,526
Deficit		(33,098,767)	(32,769,526)
Equity attributable to Geomega Resources Inc.'s shareholders		2,410,101	1,365,403
Non-controlling interests		(39,789)	(35,503)
Total Equity		2,370,312	1,329,900
Total liabilities and equity		3,234,563	2,272,884

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

Geomega Resources Inc.

Consolidated Statements of Earnings and Comprehensive Earnings

(Unaudited, in Canadian dollars)

	Note	Three months ended August 31	
		2019 \$	2018 \$
Operating expenses			
Salaries, employee benefits, settlement and share-based compensation		51,095	22,996
Directors fees		11,250	8,750
Exploration and evaluation expenses, net of tax credits		78,970	113,939
Professional fees		45,605	91,102
Travel, conference and investor relations		73,294	11,635
Administration		4,749	5,433
Filing fees		11,910	5,164
Rent		13,984	13,914
Insurance, taxes and permits		4,674	9,007
Operating loss		(295,531)	(281,940)
Other income (expenses)			
Interest expenses		(1,134)	(3,150)
Gain (loss of foreign exchange)		669	-
Finance costs		(3,339)	(3,689)
Share of loss of associate	5	(106,048)	(292,415)
Net gain on dilution of investment in an associate	5	40,252	1,126,065
Net gain on sale of investment in an associate	5	29,800	-
		39,800	826,811
Net income (loss) - continuing operations		(335,331)	544,871
Net income - discontinued operations	7	1,804	563
Net and comprehensive earnings (loss)		(333,527)	545,434
Net income (loss) attributable to:			
Geomega Resources Inc. shareholders		(329,241)	551,158
Non-controlling interests		(4,286)	(5,724)
Basic and diluted earnings per share			
Basic and diluted earnings per share		(0.004)	0.006
Basic and diluted earnings per share - Continued Operations		(0.004)	0.006
Basic and diluted earnings per share - Discontinued Operations		0.000	0.000
Weighted average number of basic shares outstanding			
		100,548,359	90,072,634
Weighted average number of diluted shares outstanding			
		100,548,359	92,492,634

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

Geomega Resources Inc.
Consolidated Statements of Changes in Equity
(Unaudited, in Canadian dollars)

	Note	Number of shares outstanding	Capital-Actions \$	Equity component of convertible debentures \$	Warrants \$	Broker warrants \$	Stock-options \$	Contributed Surplus \$	Deficit \$	Equity attributable to Geomega Resources Inc. \$	Non-controlling interest \$	Total equity \$
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
Net and comprehensive loss		-	-	-	-	-	-	-	(329,241)	(329,241)	(4,286)	(333,527)
Units issued as part of private placements	9	8,800,215	1,069,677	-	162,353	-	-	-	-	1,232,030	-	1,232,030
Exercised stock options	12	282,500	45,011	-	-	-	(18,587)	-	-	26,424	-	26,424
Expired stock options	12	-	-	-	-	-	(9,085)	9,085	-	-	-	-
Expired warrants	11	-	-	-	-	-	-	-	-	-	-	-
Exercised conversion rights on convertible debentures	8	916,665	113,300	(3,300)	(26,324)	-	-	26,324	-	-	-	-
Shared-based compensation		-	-	-	-	-	36,910	-	-	36,910	-	36,910
Stock issuance costs		-	(32,269)	-	(4,898)	5,742	-	-	-	(31,425)	-	(31,425)
Balance at August 31, 2019		100,749,514	30,437,472	-	398,155	5,742	352,564	4,314,935	(33,098,767)	2,410,101	(39,789)	2,370,312

	Note	Number of shares outstanding	Capital Stock \$	Equity component of convertible debentures \$	Warrants \$	Broker warrants \$	Stock options \$	Contributed surplus \$	Deficit \$	Equity attributable to Geomega Resources Inc. \$	Non-controlling interests \$	Total equity \$
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
Net and comprehensive income (loss)		-	-	-	-	-	-	-	551,158	551,158	(5,724)	545,434
Shared-based compensation		-	-	-	-	-	14,256	-	-	14,256	-	14,256
Extended warrants		-	-	-	49,506	-	-	-	(49,506)	-	-	-
Balance at August 31, 2018		90,072,634	29,133,500	3,300	729,995	-	329,716	3,780,142	(31,654,118)	2,322,535	(27,019)	2,295,516

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

Geomega Resources Inc.
Consolidated Statements of Cash Flows
(Unaudited, in Canadian dollars)

	Note	Three months ended August 31	
		2019 \$	2018 \$
Operating activities			
Net income (loss) - continued operations		(335,331)	544,871
Net income - discontinued operations		1,804	563
Net and comprehensive earnings (loss)		(333,527)	545,434
Adjustment for:			
Share-based compensation		36,910	14,256
Depreciation		8,851	13,486
Finance costs		3,339	3,689
Share of loss of an associate		106,048	292,415
Net gain on dilution of investment in an associate		(40,252)	(1,126,065)
Net gain on sale of investment in an associate		(29,800)	-
Change in non-cash working capital items	14	(174,022)	(97,019)
Cash flows used in operating activities		(422,453)	(353,804)
Investing activities			
Acquisitions of property, plant and equipment		-	(18,157)
Disposition of an investment in an associate	5	144,000	-
Cash flows from (used) in investing activities		144,000	(18,157)
Financing activities			
Private placements		1,200,605	-
Exercised stock options		26,424	-
Cash flows from financing activities		1,227,029	-
Net change in cash flow		948,576	(371,961)
Cash and cash equivalents- at the beginning		33,438	726,786
Cash and cash equivalents- at the end		982,014	354,825

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

Geomega Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended August 31, 2019
(Unaudited, in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Geomega Resources Inc. (the “Corporation” or “Company”) 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 unaudited condensed interim consolidated financial statements (the “Financial Statements”) were approved by the Corporation’s Board of Directors on October 23, 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 its mining properties costs 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 three months ended August 31, 2019, the Corporation reported a net loss of \$333,527 and has accumulated a deficit of \$33,098,767 up to that date. As at August 31, 2019, the Corporation had a working capital of \$480,557.

Management estimates that the working capital will not be sufficient to meet the Corporation’s obligations and commitments and budgeted expenditures through August 31, 2019. 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 adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

Any funding 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with the *International Financial Reporting Standards* (“IFRS”) as issued by the *International Accounting Standards Board* (“IASB”) applicable to the preparation of interim financial statements, including *International Accounting Standard* (“IAS”) 34, *Interim Financial Reporting*. Accordingly, the Financial Statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

Geomega Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended August 31, 2019
(Unaudited, in Canadian dollars)

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

2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the annual financial statements for the year ended May 31, 2019, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in the Financial Statements are consistent with those of the previous financial year ended May 31, 2019, except for the new policy described below.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles of recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer (the "lessee") and the supplier (the "lessor"). IFRS 16 replaces IAS 17, Leases 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 eliminate 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 has been applying this standard since June 1, 2019. In accordance with the provisions of IFRS 16, an analysis was conducted by management which concluded that IFRS 16 does not have a significant impact on existing leases and on the Corporation's financial statements.

Stocks

The stocks consist of raw materials, rare earth permanent magnets that will be recycled in the demonstration plant in order to extract the rare earths oxide to be sold. Stocks are valued at the lowest of the cost and net realizable value. The cost of raw material inventory is generally determined using the average cost method.

Foreign currency transactions

Foreign currency-denominated transactions are converted into the relevant functional currency as follows: monetary assets and liabilities are converted to the current exchange rate on the date of the consolidated balance sheet, while expenses are converted at the average exchange rate for the period. Non-monetary assets and liabilities are converted to historical rates or the rate in effect on the date they were valued at fair value. If applicable, foreign exchange gains and losses resulting from the settlement of those transactions and from period-end translations are recognized in the consolidated statement of loss.

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Notes to the Condensed Interim Consolidated Financial Statements

Three months ended August 31, 2019

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3. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of Financial Statements in conformity with IFRS requires the Corporation to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. The Corporation also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the Financial Statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended May 31, 2019.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include two guaranteed investment certificates bearing the following conditions:

- Investment of \$300,000 at a rate of 2.10% maturing on September 30, 2019. Interests and capital are cashable at maturity.
- Investment of \$500,877 USD at a rate of 1.88% maturing on September 28, 2019. Interests and capital are cashable at maturity.

The investments are invested for 30 days and renewed according to the liquidity needs of the Corporation

5. INVESTMENT IN AN ASSOCIATE CORPORATION

Kintavar Exploration Inc. ("Kintavar") is the Corporation's only associate and it is material to the group. Kintavar's share capital consists solely of ordinary shares, which are held directly by the Corporation. Kintavar is incorporated in Canada where are its exploration and evaluation activities on bearing properties, which are not strategic to the Corporation's own activities, 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 at August 31, 2019 is \$2,950,000 (16,857,143 shares at \$0.175, 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. Following the issuance of shares in Kintavar and the sale of a portion of the investment held, the Corporation's interest in Kintavar was diluted from 21.77% as at May 31, 2019 to 19.79% as at August 31, 2019.

Following this decrease in participation below 20%, the Corporation's management assessed the relevance of continuing to measure the investment using the equity method. Given that the two corporations have joint management and one common board member, share the same head office and have several transactions together, it has been determined that the Corporation still has a significant influence on Kintavar, justifying the accounting for the investment using the equity method.

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Notes to the Condensed Interim Consolidated Financial Statements

Three months ended August 31, 2019

(Unaudited, in Canadian dollars)

5. INVESTMENT IN AN ASSOCIATE CORPORATION (CONT'D)

	Three months Ended August 31, 2019	Year ended May 31, 2019
	\$	\$
Balance at beginning of period	2,039,287	1,792,242
Share of net loss	(106,048)	(929,664)
Net gain from dilution of the interest	40,252	1,176,709
Net gain on the sale of an interest	29,800	-
Balance at end of period	1,859,291	2,039,287

On June 14, 2019, the Corporation sold 1,000,000 shares of Kintavar at a price of \$0.16 per share for gross proceeds of \$160,000. Transaction fees of \$16,000 were incurred on this amount for a total net proceeds of \$144,000. A net gain on the sale of \$29,800 was recorded in the consolidated statement of Earnings and Comprehensive Earnings.

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

- 11,499,998 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.
- 16,857,143 total common shares

6. PROPERTY AND EQUIPMENT

	Office equipment	E&E Equipment			Total
		Vehicles	Equipment and camp	Warehouse	
	\$	\$	\$	\$	\$
Fiscal 2020					
Opening net book value	-	3,800	34,072	82,521	120,393
Additions	-	-	-	-	-
Depreciation	-	(950)	(6,458)	(1,443)	(8,851)
Transfer to asset held for sale (note 7)	-	-	-	(81,078)	(81,078)
Closing net book value	-	2,850	27,614	-	30,464
As at August 31, 2019					
Cost	14,984	30,724	652,318	159,388	857,414
Accumulated Depreciation	(14,984)	(27,874)	(624,704)	(159,388)	(826,950)
Closing net book value	-	2,850	27,614	-	30,464

Geomega Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited, in Canadian dollars)

6. PROPERTY AND EQUIPMENT (CONT'D)

	Office equipment	E&E Equipment			Total
		Vehicles	Equipment and camp	Warehouse	
	\$	\$	\$	\$	\$
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

7. DISCONTINUED OPERATIONS AND ASSET HELD FOR SALE

On August 2, 2019, the Corporation committed over a third-party offer for the sale of its warehouse located in Lebel-Sur-Quévillon, Quebec. The offer amounts for \$175,000 and the transaction is scheduled to close on September 30, 2019. The book value of the property at the date of the offer was \$81,078.

Since the Corporation committed to this sale agreement and therefore committed to a plan for the disposal of this asset, the Corporation has ceased to depreciate the asset in question and has reclassified it to the balance sheet as asset held for sale. The earnings and cash flow related to this asset were isolated and classified as discontinued operations.

Asset held for sale

	As at August 31, 2019	As at May 31, 2019
	\$	\$
Property, plant and equipment	81,078	-
Asset held for sale	81,078	-

As at August 31, 2019, there is no indication of impairment of asset held for sale.

Geomega Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended August 31, 2019

(Unaudited, in Canadian dollars)

7. DISCONTINUED OPERATIONS AND ASSET HELD FOR SALE (CONT'D)

Loss from discontinued operations

Revenues (expenses) related to the warehouse have been separated from continuing operations. The gain from discontinued operations consists of:

	Three months ended June 30	
	2019	2018
	\$	\$
Exploration and evaluation expenses, net of tax credits	1,804	563
Gain from discontinued operations	1,804	563

Cash flows from discontinued operations

Cash flows from the warehouse have been separated from continuing operations. Net cash flows from discontinued operations consist of:

	Three months ended June 30	
	2019	2018
	\$	\$
Cash flows from operating activities	1,804	563
Cash flows from discontinued operations	1,804	563

8. CONVERTIBLE DEBENTURES

	Three months ended August 31, 2019	Year ended May 31, 2019
	\$	\$
Balance at beginning of period	106,661	91,120
Accretion expense	3,339	15,541
Conversion	(110,000)	-
Balance at end of period	-	106,661

The convertible debentures were issued on August 11, 2017 with a two-year maturity date. In fiscal year 2019, they were reclassified as current liabilities.

On July 31, 2019, a debenture holder converted a debenture of \$25,000 into common shares at a deemed price of \$0.12 per share pursuant to the terms of the convertible debenture. The Corporation issued the 208,333 common shares on August 2, 2019.

On August 10, 2019, debenture holders converted debentures of \$85,000 into common shares at a deemed price of \$0.12 per share pursuant to the terms of the convertible debenture. The Corporation issued the 708,332 common shares on August 12, 2019.

Geomega Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited, in Canadian dollars)

9. SHARE- CAPITAL

Private placement

On July 2 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 to acquire one share at a price of \$0.20 per share for 2 years.

Of the total gross proceeds of units, \$162,353 was allocated to warrants and \$1,069,677 to equity, based on a pro-rata allocation of the estimated fair value of each of these two components. The fair value of the warrants granted was estimated using the Black-Scholes model with no expected dividend yield, 76.6% and 76.5% expected volatility, 1.49% and 1.58% risk-free interest rate for the first and second tranches respectively, and 2 years warrants expected life.

Share issuance costs totaled \$37,168, of which \$32,270 was allocated to equity and \$4,898 to warrants.

10. WARRANTS

Changes in the Corporation's warrants are as follows:

	Three months ended August 31, 2019		Year ended May 31, 2019	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Opening	6,378,778	0.16	11,019,416	0.18
Issued (note 9)	4,400,108	0.20	-	-
Exercised	-	-	(550,000)	0.12
Expired	(625,000)	0.12	(4,090,638)	0.23
Cancelled	-	-	-	-
Balance, end	10,153,886	0.18	6,378,778	0.16

The number of outstanding warrants as at August 31, 2019 are as follows:

Number of warrants	Exercise price \$	Expiry date
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	19 June 2020 (extended)
3,265,197	0.20	July 2, 2021
1,134,911	0.20	July 10, 2021
10,153,886		

Geomega Resources Inc.

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(Unaudited, in Canadian dollars)

11. BROKER WARRANTS

Changes in the Corporation's broker warrants are as follows:

	Three months ended August 31, 2019		Year ended May 31, 2019	
	Number of broker warrants	Weighted average exercise price	Number of broker warrants	Weighted average exercise price
		\$		\$
Balance, opening	-	-	-	-
Issued	120,800	0.20	-	-
Balance, end	120,800	0.20	-	-

The number of outstanding brokers as at August 31, 2019 are as follows:

Number of broker warrants	Exercise price	Expiry date
	\$	
16,000	0.20	July 2, 2021
104,800	0.20	July 10, 2021
120,800		

12. STOCK OPTIONS

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

	Three months ended August 31, 2019		Year ended May 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Balance, beginning	6,565,000	0.10	4,530,000	0.11
Granted	250,000	0.175	3,050,000	0.09
Expired	(92,500)	0.14	(470,000)	0.18
Exercised	(282,500)	0.10	(127,500)	0.09
Forfeited	(187,500)	0.08	(417,500)	0.09
Balance, end	6,252,500	0.10	6,565,000	0.10
Balance, end exercisable	3,593,100	0.10	3,760,000	0.10

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12. STOCK OPTIONS (CONT'D)

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

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry date
		\$	
235,000	235,000	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
1,320,000	1,320,000	0.095	November 29, 2021
812,500	609,350	0.09	October 19, 2022
400,000	2,00,000	0.085	August 28, 2023
400,000	100,000	0.08	September 14, 2023
975,000	243,750	0.085	November 20, 2023
10,000	25,000	0.08	December 10, 2023
400,000	-	0.09	March 13, 2024
500,000	-	0.16	April 12, 2024
250,000	-	0.175	July 29, 2024
6,252,500	3,593,100		

On October 23, 2019, 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 July 29, 2019, the Corporation granted a consultant 250,000 options, exercisable at \$0.175, valid for 5 years. The fair value of these stock options is \$25,250, or a fair value of \$0.101 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 81% expected volatility, 1.43% 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.

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Three months ended August 31, 2019

(Unaudited, in Canadian dollars)

13. EXPLORATION AND EVALUATION EXPENSES

Montviel Property	Three months ended August 31	
	2019	2018
	\$	\$
Acquisition and maintenance	261	6,086
Exploration		
Salaries and payroll expenses	4,601	-
Share-based compensation	828	2,481
Supplies and tools	527	-
Transport and lodging	6,815	(542)
Depreciation of property and equipment	2,393	2,809
Taxes, permits and insurances	2,511	613
Billing - rental	(20,739)	(14,375)
Total exploration	(3,064)	(9,014)
Evaluation		
Salaries and benefits – separation process	77,136	74,200
Separation process	24,994	37,549
Depreciation of property and equipment	6,457	10,677
Engineering	22,010	-
Total Evaluation	130,597	122,426
Gross E&E expenses	127,794	119,498
Government grants	(50,628)	(6,122)
	77,166	113,376
Transferred to discontinued operations	(1,804)	(563)
Net E&E expenses - Montviel	78,970	113,939

14. ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Change in non-cash working capital items

	Three months ended August 31	
	2019	2018
	\$	\$
Accounts receivable	(34,466)	(11,748)
Sales taxes receivable	(20,863)	(14,495)
Tax credits receivable	(18,738)	4,656
Prepaid expenses and other	(121,632)	(8,405)
Stocks	(6,251)	-
Trade and other payables	27,928	17,972
Tax credits payable	-	(84,999)
	(174,022)	(97,019)

Geomega Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended August 31, 2019

(Unaudited, in Canadian dollars)

14. ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Non-cash transactions

	Three months ended August 31	
	2019	2018
	\$	\$
Conversion of convertible debentures into shares as a result of the exercise of conversion rights	110,000	-

15. SUBSEQUENT EVENTS

On September 30, 2019, the Corporation concluded a transaction with a third-party for the sale of its warehouse in Lebel-sur-Quévillon. The sale price was \$175,000 and no transaction fees were incurred for this sale. The book value of the property was \$81,078. A gain on disposal of \$93,922 will be recorded in the November 30, 2019 quarterly financial statements. Moving expenses are also expected in connection with this transaction. Since the Corporation had committed to this transaction following the signature of an offer to purchase on August 2, 2019, the warehouse was reclassified as an asset held for sale in the August 31, 2019 financial statements. See Note 7 on discontinued operations and asset held for sale for further details.

On October 23, 2019, the Corporation granted its directors, officers, employees and consultants 1,575,000 stock options at a price of \$0.155, valid for 5 years. These options were granted at an exercise price higher than the market price the day before the grant.