Geomega Resources Inc.

Management's Discussion and Analysis
Quarterly Highlights

Three months ended August 31, 2019

The following quarterly highlights management discussion and analysis (the "MD&A Highlights") of the financial condition and results of the operations of Geomega Resources Inc. (the "Corporation", "Company" or "Geomega") constitutes management's review of the factors that affected the Corporation's financial and operating performance for Q1-20. This MD&A Highlights should be read in conjunction with the Corporation's unaudited condensed interim financial statements as at August 31, 2019 prepared in accordance with the International Financial Reporting Standards ("IFRS"), as well as with the management discussion and analysis for the year ended May 31, 2019. All figures are in Canadian dollars unless otherwise noted.

Further information regarding the Corporation and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be found on www.sedar.com.

Abbreviation	Period
Q1-19	June 1, 2018 to August 31, 2018
Q2-19	September 1, 2018 to November 30, 2018
Q3-19	December 1, 2018 to February 28, 2019
Q4-19	March 1, 2019 to May 31, 2019
Fiscal 19	June 1, 2019 to May 31, 2019
Q1-20	June 1, 2019 to August 31, 2019
Q2-20	September 1, 2019 to November 30, 2019
Q3-20	December 1, 2019 to February 28, 2020
Q4-20	March 1, 2020 to May 31, 2020
Fiscal 20	June 1, 2020 to May 31, 2020

1. NATURE OF ACTIVITIES

Geomega is a mineral exploration and evaluation corporation focused on the discovery and sustainable development of economic deposits of metals in Quebec. Geomega is committed to meeting the Canadian mining industry standards and distinguishing itself with innovative engineering, high stakeholder engagement and dedication to local transformation benefits. On the TSX Venture Exchange (the "Exchange"), common shares of the Corporation are trading under the symbol GMA.

As society moves from consumption of fossil fuels to more sustainable energy sources, Geomega believes that the future of clean energy resides in one of the rare earth elements ("REE") called neodymium. Neodymium is vital for the production of high-performance permanent magnets used in a wide variety of electrical motors. Such motors are in increasing demand with the growth of sustainable-energy initiatives such as hybrid and electric vehicles and direct-drive wind turbines.

Innord Inc. ("Innord") is the innovation arm of Geomega and was created in March 2015 to optimize the value of the separation technology by facilitating its development through direct investments of key financial partners. Innord is a subsidiary of Geomega that holds all the separation rights and laboratory equipment. The primary goal of Innord is to successfully scale-up its proprietary REE separation process. From now on, all research and development initiatives of Geomega are conducted by Innord.

2. CORPORATE UPDATE

2.1 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 volatality,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.

2.2 Financial Highlights

Geomega has $982,014 of cash and cash equivalents as at August 31, 2019 and a working capital of $480,557 (negative working capital of $829,780 as at May 31, 2019). The Corporation is constantly seeking financing or business opportunities.

For Q1-20, the Corporation recorded a net loss of $333,527 compared to a net income of $545,434 for Q1-19. Excluding the effects of fluctuations from the investment in an associate, a net loss of $297,531 was realized in Q1-20 compared to a net loss of $288,216 in Q1-19. The main variations are as follows:

- Salaries, benefits, settlement and share-based compensation of $51,095 ($22,996 in Q1-19). The Corporation hired an internal CFO in October 2019, which explains the increase in salaries, but the decrease in professional fees, which are of $45,605 in Q1-20 compared to $91,102 in Q1-19.
- Exploration and evaluation expenses, net of tax credits of $78,970 ($113,939 in Q1-19). See the analysis of work on the Montviel property in Section 4.1. The level of activity was essentially the same as in the previous year, but the Corporation benefited for 2020 of a grant from IRAP to reimburse from$16,000 to $19,000 per month on research salaries. Additionally, during Q1-20, an expenditure of $22,010 was made in connection with the FEED Preliminary Engineering Study.
- Travel, conference and investor relations of $73,294 ($11,635 during T1-20). With the increase in the level of activity and the approaching production of rare earth oxides from the demonstration plant, the Corporation has invested in order to increase its visibility in the market with several marketing agreements as well as for its participation in tradeshows. A total of $28,463 of the Q1-20 expense represents stock-based compensation.
- Share of loss of an associate of $106,048 ($292,415 in Q1-19) and net gain on the dilution of investment in an associate of $40,252 (1,126,065 in Q1-19). Kintavar is the only associate of the Corporation and this investment is accounted for using the equity method. The investment in Kintavar went from 28.76% to 22.49% in Q1-19 as a result of shares issued for a total number of 17,297,007 Kintavar shares. During Q1-20, The share of Geomega in Kintavar increased from 21.77% to 19.79% following the issuance of 3,125,000 Kintavar shares and following the sale of 1,000,000 shares per Geomega, generating a gain of $29,800 in the financial statements. See section 2.3 for more details on this transaction.

2.3 Other Sources of financing

On September 26, 2019, the Corporation signed a financial assistance agreement with the Minister of the Economy and Innovation under the Export Program for a non-repayable grant of $50,000, which will be used to finance a portion of Geomega's international development and export activities over the next year.

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. The book value of the property at the date of the offer was $81,078. The transaction was completed as expected on September 30, 2019. A gain on disposal of $ 93,922 will be recorded for this purpose in the Q2-20 quarterly financial statements.

On August 2, 2019, the Corporation signed a financial assistance agreement with the Minister of Economy and Innovation under the “SME in Action" Program for a non-repayable grant of $19,456 to reimburse up to 40% of eligible expenses of the FEED study. This amount was revised upward on October 4, 2019 to $81,856.

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 Income and Comprehensive Income.

3. OUTLOOK ON THE UPCOMING MONTHS

Validation of the separation technology through processing industrial residues was and remains Geomega's main objective since 2015. The Corporation is focusing on producing rare earth oxides, which are used in the production of permanent magnets, from high grade industrial residues.

The Corporation's objectives over the next months include:

- Find and secure the facilities for the demonstration plant
- Finalise debt financing in order to complete financing of the demonstration plant.
- Start and complete the EPCM (Engineering, Procurement, Construction and Management) on the demonstration plan.
- Separation tests to obtain a purity of 99.9% and higher.
- Secure more supply to ensure long-term profitability of commercial plant operations.
- Secure offtake agreements with potential clients.

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4. EXPLORATION AND VALIDATION OF THE SEPARATION TECHNOLOGY ACTIVITIES

4.1 Expense summary - Montviel property

Montviel Property	Three months ended August 31 2019	2018
	$	**$**
Acquisition and maintenance	**261**	**6,086**
Exploration		
Salaries and benefits	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 insurance	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**

Alain Cayer, P. Geo., M.Sc., Vice-President Exploration of Geomega, a qualified person as defined in NI 43-101 supervised the preparation of the technical information in this section.

There was no surface exploration activity on the Montviel property during Q1-20 (same as Q1-19).

4.2 ISR Technology Development

Dr. Pouya Hajiani, process inventor and engineer and CTO of Geomega supervised and approved the technical information of this section.

Innord is continuing the research and development activities for separating rare earth elements using its proprietary separation technology that does not use organic solvents (“Innord Separation of Rare Earths (ISR Technology)”). Following up on the successful developments of 2017 and 2018, the Corporation is focusing on scaling up activities by processing rare earth enriched feed that is coming from the permanent magnet industry. The products of the Corporation have been already tested and validated by potential end users for manufacturing of permanent magnets.

Geomega is currently heading towards the construction of the demonstration plant that will be using the ISR technology to recycle rare earth magnets and produce rare earth oxides. On October 1st, 2019, the Corporation announced an updated capital expenditure estimation based on the Front-End Engineering & Design (“FEED”) study. The updated design has now been scaled up to use 5,000 L reactors and operate on a single work shift of 8 to 10 hours. As a result of this sizing increase and process optimization by Geomega, the demonstration plant could reach a throughput capacity of 1.5 ton per shift, a 50% increase over the initial design. On a per hour basis, this demonstrates a 4.5X increase.

The current study also confirmed that the ISR process that was developed by Innord, a private subsidiary of Geomega, is technically feasible and uses off the shelf equipment thereby making it easier to scale up.

CAPEX*

Direct Costs	$1,783,025
Indirect Costs	$371,605
Contingency (20%)	$432,926
TOTAL	$2,587,556

* The capital costs presented in the table were confirmed via the preliminary results received from the FEED study

4.3 Preliminary Economic Assessment ("PEA")

The corporate commitment to sustainable development dictated the following operational parameters for the Montviel project: i) underground mining scenario with paste backfill, ii) reduction in reagents to be transported by road and iii) electrical operations with a low voltage power line. It has taken more than three and a half years of metallurgical work and optimization to meet these three parameters.

In 2015, Montviel's flow sheet was greatly simplified. All of the acid required for hydrometallurgy will be generated on site with the insertion of a closed loop acid regeneration unit. In addition, two physical restatements at the beneficiation step significantly decrease the ore mass moving to hydrometallurgy.

To complete the PEA, the primary remaining work is the evaluation of the cost of the plant and infrastructure based on the May 2015 flow sheet (see press release dated May 20, 2015). The Corporation is focussing on scaling up its activities and will pursue the remaining work for the PEA subsequently.

4.4 Environmental Geochemistry

There are four (4) environmental studies that are ongoing on Montviel. These are long term studies with repetitive sampling.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 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.

6. SUBSEQUENT EVENTS

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.

See sections 2.3 for details regarding the sale of a warehouse which occurred after the date of the financial position.

October 23, 2019

(s) Kiril Mugerman
Kiril Mugerman
President and CEO

(s) Mathieu Bourdeau
Mathieu Bourdeau
CFO

Management

Kiril Mugerman, President & CEO
Alain Cayer, VP Exploration
Mathieu Bourdeau, CFO
Pouya Hajiani, CTO

Board of directors

Gilles Gingras, President of the Audit Committee [1)]
Kosta Kostic[1)]
Mario Spino [1)]
Jean Demers
Kiril Mugerman

Notes:
1) Member of the Audit Committee

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