



## **Geomega Resources Inc.**

Unaudited Condensed Interim Consolidated Financial Statements

Six months ended November 30, 2019

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

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

	Note	As at November 30 2019 \$	As at May 31 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	838,000	33,438
Accounts receivable		46,523	23,256
Sales taxes receivable		53,102	17,330
Tax credits and government grant receivable		79,246	21,717
Prepaid expenses and others		113,984	17,463
Stocks		7,188	-
<b>Current assets</b>		<b>1,138,043</b>	<b>113,204</b>
<b>Non-current assets</b>			
Investment in an associate	5	1,828,710	2,039,287
Property and equipment	6	33,737	120,393
<b>Non-current assets</b>		<b>1,862,447</b>	<b>2,159,680</b>
<b>Total assets</b>		<b>3,000,490</b>	<b>2,272,884</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		350,039	336,323
Liability related to share exchange rights		500,000	500,000
Convertible debentures	8	-	106,661
<b>Total Current liabilities</b>		<b>850,039</b>	<b>942,984</b>
<b>Total liabilities</b>		<b>850,039</b>	<b>942,984</b>
<b>Equity</b>			
Share capital	9	30,437,472	29,241,753
Equity component of convertible debentures	8	-	3,300
Warrants	10	398,155	267,024
Broker warrants	11	5,742	-
Stock options	12	308,668	343,326
Contributed surplus		4,385,820	4,279,526
Deficit		(33,342,425)	(32,769,526)
<b>Equity attributable to Geomega Resources Inc.'s shareholders</b>		<b>2,193,432</b>	<b>1,365,403</b>
<b>Non-controlling interests</b>		<b>(42,981)</b>	<b>(35,503)</b>
<b>Total Equity</b>		<b>2,150,451</b>	<b>1,329,900</b>
<b>Total liabilities and equity</b>		<b>3,000,490</b>	<b>2,272,884</b>

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)

		Three months ended November 30		Six months ended November 30	
	Note	2019	2018	2019	2018
		\$	\$	\$	\$
<b>Operating expenses</b>					
Salaries, employee benefits, settlement and share-based compensation		57,370	38,748	108,465	61,743
Directors fees		11,250	8,750	22,500	17,500
Exploration and evaluation expenses, net of tax credits	13	166,079	9,885	245,049	134,756
Professional fees		12,250	49,484	57,855	140,586
Travel, conferences and investor relations		56,354	1,784	129,648	13,418
Administration		12,212	9,410	16,961	14,846
Filing fees		3,969	12,278	15,879	17,442
Rent		17,337	13,914	31,321	27,828
Insurance, taxes and permits		4,587	5,068	9,261	14,074
<b>Operating loss</b>		<b>(341,408)</b>	<b>(144,321)</b>	<b>(636,969)</b>	<b>(442,193)</b>
<b>Other income (expenses)</b>					
Interest expenses		3,398	(3,193)	2,264	(6,343)
Loss on foreign exchange		(1,733)	-	(1,064)	-
Finance costs		-	(3,797)	3,339	(7,486)
Gain on disposal of property and equipment		111,523	-	111,523	-
Share of loss of associate	5	(55,414)	(375,731)	(161,462)	(668,146)
Net gain on dilution of investment in an associate	5	24,833	19,218	65,085	1,274,915
Net gain on sale of investment in an associate	5	-	-	29,800	-
		<b>82,607</b>	<b>(363,503)</b>	<b>42,807</b>	<b>592,940</b>
<b>Net income (loss) - continuing operations</b>		<b>(258,801)</b>	<b>(512,824)</b>	<b>(594,132)</b>	<b>150,747</b>
Net income - discontinued operations	7	11,951	9,887	13,755	21,382
<b>Net and comprehensive earnings (loss)</b>		<b>(246,850)</b>	<b>(502,937)</b>	<b>(580,377)</b>	172,129
Net income (loss) attributable to:					
Geomega Resources Inc. shareholders		<b>(243,659)</b>	<b>(500,900)</b>	<b>(572,899)</b>	<b>179,890</b>
Non-controlling interests		<b>(3,191)</b>	<b>(2,037)</b>	<b>(7,478)</b>	<b>(7,761)</b>
Basic and diluted earnings per share					
Basic and diluted earnings per share - Continuing Operations		<b>(0.003)</b>	<b>(0.006)</b>	<b>(0.006)</b>	<b>0.002</b>
Basic and diluted earnings per share - Discontinued Operations		<b>(0.003)</b>	<b>(0.006)</b>	<b>(0.006)</b>	<b>0.002</b>
		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
Weighted average number of basic shares outstanding		100,749,514	90,072,634	98,656,044	90,072,634
Weighted average number of diluted shares outstanding		100,749,514	90,072,634	98,656,044	90,642,634

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
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at May 31, 2019</b>		<b>90,750,134</b>	<b>29,241,753</b>	<b>3,300</b>	<b>267,024</b>	-	<b>343,326</b>	<b>4,279,526</b>	<b>(32,769,526)</b>	<b>1,365,403</b>	<b>(35,503)</b>	<b>1,329,900</b>
Net and comprehensive loss		-	-	-	-	-	-	-	(572,899)	(572,899)	(7,478)	(580,377)
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)	79,970	-	-	-	-
Expired warrants	11	-	-	-	(26,324)	-	-	26,324	-	-	-	-
Exercised conversion rights on convertible debentures	8	916,665	113,300	(3,300)	-	-	-	-	-	110,000	-	110,000
Shared-based compensation		-	-	-	-	-	63,899	-	-	63,899	-	63,899
Stock issuance costs		-	(32,269)	-	(4,898)	5,742	-	-	-	(31,425)	-	(31,425)
<b>Balance at November 30, 2019</b>		<b>100,749,514</b>	<b>30,437,472</b>	<b>-</b>	<b>398,155</b>	<b>5,742</b>	<b>308,668</b>	<b>4,385,820</b>	<b>(33,342,425)</b>	<b>2,193,432</b>	<b>(39,789)</b>	<b>2,150,451</b>

	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
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at May 31, 2018</b>		<b>90,072,634</b>	<b>29,133,500</b>	<b>3,300</b>	<b>680,489</b>	-	<b>315,460</b>	<b>3,780,142</b>	<b>(32,335,402)</b>	<b>1,577,489</b>	<b>(21,295)</b>	<b>1,556,194</b>
Net and comprehensive income (loss)		-	-	-	-	-	-	-	179,890	179,890	(7,761)	172,129
Shared-based compensation		-	-	-	-	-	34,938	-	-	34,938	-	34,938
Expired stock options		-	-	-	-	-	(47,393)	35,656	-	(11,737)	-	(11,737)
Expired warrants		-	-	-	(421,636)	-	-	421,636	-	-	-	-
Extended warrants		-	-	-	49,506	-	-	-	(49,506)	-	-	-
<b>Balance at November 30, 2018</b>		<b>90,072,634</b>	<b>29,133,500</b>	<b>3,300</b>	<b>308,359</b>	<b>-</b>	<b>303,005</b>	<b>4,237,434</b>	<b>(32,205,018)</b>	<b>1,780,580</b>	<b>(29,056)</b>	<b>1,751,524</b>

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)

		<b>Six months ended November 30</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Operating activities</b>			
Net income (loss) - continued operations		(594,132)	150,747
Net income - discontinued operations	7	13,755	21,382
Net and comprehensive earnings (loss)		(580,377)	172,129
Adjustment for:			
Share-based compensation		63,899	23,201
Depreciation		17,400	27,376
Finance costs		3,339	7,486
Gain on disposal of property, plant and equipment		(111,523)	-
Share of loss of an associate		161,462	668,146
Net gain on dilution of investment in an associate		(65,085)	(1,274,915)
Net gain on sale of investment in an associate		(29,800)	-
Change in non-cash working capital items	14	(206,561)	(216,005)
<b>Cash flows from operating activities</b>		<b>(422,453)</b>	<b>(592,582)</b>
<b>Investing activities</b>			
Acquisitions of property, plant and equipment		(13,722)	(27,751)
Dispositions of property, plant and equipment		194,501	-
Disposition of an investment in an associate	5	144,000	-
<b>Cash flows from (used) in investing activities</b>		<b>324,779</b>	<b>(27,751)</b>
<b>Financing activities</b>			
Private placements		1,200,605	-
Exercised stock options		26,424	-
<b>Cash flows from financing activities</b>		<b>1,227,029</b>	<b>-</b>
<b>Net change in cash flow</b>		<b>804,562</b>	<b>(620,333)</b>
Cash and cash equivalents- at the beginning		33,438	726,786
<b>Cash and cash equivalents- at the end</b>		<b>838,000</b>	<b>106,453</b>

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

Six months ended November 30, 2019  
(Unaudited, in Canadian dollars)

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### 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 January 28, 2020.

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 six months ended November 30, 2019, the Corporation reported a net loss of \$580,377 and has accumulated a deficit of \$33,342,425 up to that date. As at November 30, 2019, the Corporation had a working capital of \$288,004.

Management estimates that the working capital will not be sufficient to meet the Corporation’s obligations and commitments and budgeted expenditures through November 30, 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 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**  
Six months ended November 30, 2019  
(Unaudited, in Canadian dollars)

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**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.

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Six months ended November 30, 2019

(Unaudited, in Canadian dollars)

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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 \$301,632 at a rate of 2.08% maturing on December 4, 2019. Interests and capital are cashable at maturity.
- Investment of \$402,158 USD at a rate of 1.85% maturing on December 1, 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 November 30, 2019 is \$2,275,714 (16,857,143 shares at \$0.135, 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 18.49% 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.



# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Six months ended November 30, 2019

(Unaudited, in Canadian dollars)

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

	Six months ended November 30, 2019	Year ended May 31, 2019
	\$	\$
Balance at beginning of period	2,039,287	1,792,242
Share of net loss	(161,462)	(929,664)
Net gain from dilution of the interest	65,085	1,176,709
Net gain on the sale of an interest	29,800	-
<b>Balance at end of period</b>	<b>1,828,710</b>	<b>2,039,287</b>

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:

- 14,178,579 common shares, released;
  - 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	
	\$	\$	\$	\$	\$
<b>Fiscal 2020</b>					
Opening net book value	-	3,800	34,072	82,521	120,393
Additions	-	-	13,722	-	-
Depreciation	-	(1,900)	(14,057)	(1,443)	(17,400)
Disposal	-	(1,900)	-	(81,078)	(82,978)
Closing net book value	-	-	33,737	-	33,737
<b>As at November 30, 2019</b>					
<b>Cost</b>	<b>14,984</b>	<b>-</b>	<b>666,040</b>	<b>-</b>	<b>681,024</b>
<b>Accumulated Depreciation</b>	<b>(14,984)</b>	<b>-</b>	<b>(632,303)</b>	<b>-</b>	<b>(647,287)</b>
<b>Closing net book value</b>	<b>-</b>	<b>-</b>	<b>33,737</b>	<b>-</b>	<b>33,737</b>

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Six months ended November 30, 2019

(Unaudited, in Canadian dollars)

### 6. PROPERTY AND EQUIPMENT (CONT'D)

	Office equipment	E&E Equipment			Total
		Vehicles	Equipment and camp	Warehouse	
	\$	\$	\$	\$	\$
<b>Fiscal 2019</b>					
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
<b>As at May 31, 2019</b>					
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 November 30, 2019, the Corporation proceeded with the sale of its rolling stock used for exploration activities. The sale price was \$19,501 and no transaction costs were incurred for this sale. The book value of the assets sold was \$1,900. A gain on disposal of tangible asset of \$17,601 was recorded in the consolidated statement of earnings.

On September 30, 2019, the Corporation concluded a transaction with a third-party for the sale of its warehouse located in Lebel-Sur-Quévillon, Quebec. The sale price was \$175,000 and no transaction costs were incurred for this sale. The book value of the warehouse at the date of the offer was \$81,078. A gain on disposal of property, plant and equipment of \$93,922 was recorded in the financial statements in the consolidated statement of earnings.

#### Revenues from discontinued operations

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

	Three months ended		Six months ended	
	November 30 2019	November 30 2018	November 30 2019	November 30 2018
	\$	\$	\$	\$
Exploration and evaluation revenues (expenses), net of tax credits	11,951	9,887	13,755	21,382
<b>Revenues from discontinued operations</b>	<b>11,951</b>	<b>9,887</b>	<b>13,755</b>	<b>21,382</b>

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Six months ended November 30, 2019

(Unaudited, in Canadian dollars)

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

#### Cash flows from discontinued operations

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

	Three months ended November 30		Six months ended November 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cash flows from operating activities	11,951	9,887	13,755	21,382
<b>Cash flows from discontinued operations</b>	<b>11,951</b>	<b>9,887</b>	<b>13,755</b>	<b>21,382</b>

### 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)	-
<b>Balance at end of period</b>	<b>-</b>	<b>106,661</b>

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.

### 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.

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Six months ended November 30, 2019

(Unaudited, in Canadian dollars)

### 10. WARRANTS

Changes in the Corporation's warrants are as follows:

	Six months ended November 30, 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
<b>Balance, end</b>	<b>10,153,886</b>	<b>0.18</b>	<b>6,378,778</b>	<b>0.16</b>

The number of outstanding warrants as at November 30, 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
<b>10,153,886</b>		

### 11. BROKER WARRANTS

Changes in the Corporation's warrants are as follows:

	Six months ended November 30, 2019		Year ended May 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, opening	-	\$ -	-	\$ -
Issued	120,800	0.20	-	-
<b>Balance, end</b>	<b>120,800</b>	<b>0.20</b>	<b>-</b>	<b>-</b>

The number of outstanding warrants as at November 30, 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
<b>120,800</b>		

# Geomega Resources Inc.

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### 12. STOCK OPTIONS

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

	Six months ended November 30, 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	1,825,000	0.16	3,050,000	0.09
Expired	(577,500)	0.20	(470,000)	0.18
Exercised	(282,500)	0.095	(127,500)	0.09
Forfeited	(437,500)	0.13	(417,500)	0.09
<b>Balance, end</b>	<b>7,092,500</b>	<b>0.105</b>	<b>6,565,000</b>	<b>0.10</b>
Balance, end exercisable	4,005,000	0.09	3,760,000	0.10

The number of options outstanding as at November 30, 2019 are as follows:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry date
		\$	
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	812,500	0.09	October 19, 2022
400,000	200,000	0.085	August 28, 2023
400,000	200,000	0.08	September 14, 2023
975,000	487,500	0.085	November 20, 2023
100,000	25,000	0.08	December 10, 2023
400,000	100,000	0.09	March 13, 2024
250,000	-	0.175	July 29, 2024
1,575,000	-	0.155	October 23, 2024
<b>7,092,500</b>	<b>4,005,000</b>		

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 October 23, 2019, the Corporation granted to its directors, officers, employees and consultants 1,575,000 options exercisable at \$0.155, valid for 5 years. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 82% expected volatility, 1.56% risk-free interest rate and 3.75 years options expected life.

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.

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Six months ended November 30, 2019

(Unaudited, in Canadian dollars)

### 12. STOCK OPTIONS (CONT'D)

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.

The 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.

### 13. EXPLORATION AND EVALUATION EXPENSES

Montviel	Three months ended November 30		Six months ended November 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Acquisition and maintenance</b>	<b>552</b>	<b>3,076</b>	<b>813</b>	<b>9,162</b>
<b>Exploration</b>				
Salaries and benefits	8,472	-	13,073	-
Share-based compensation	2,283	2,398	3,111	4,879
Geology	84	-	611	-
Transport and lodging	62,067	(203)	68,882	(745)
Depreciation of property and equipment	950	3,114	3,343	5,923
Taxes, permits and insurances	1,849	576	4,360	1,189
Billing - rental	(2,002)	(13,375)	(22,741)	(27,750)
<b>Total exploration</b>	<b>73,703</b>	<b>(7,490)</b>	<b>70,639</b>	<b>(16,504)</b>
<b>Evaluation</b>				
Salaries and benefits - Metallurgy and processing	82,148	72,945	159,284	147,145
Separation process	10,095	27,433	35,089	64,982
Depreciation of property and equipment	7,600	10,776	14,057	21,453
Engineering	72,450	-	94,460	-
<b>Total Evaluation</b>	<b>172,293</b>	<b>111,154</b>	<b>302,890</b>	<b>233,580</b>
Gross E&E expenses	<b>246,548</b>	<b>106,740</b>	<b>374,342</b>	<b>226,238</b>
Government grants	(54,844)	(60,360)	(105,472)	(66,482)
Tax Credits	(37,576)	(46,382)	(37,576)	(46,382)
	<b>154,128</b>	<b>(2)</b>	<b>231,294</b>	<b>113,374</b>
Transferred to discontinued operations	11,951	9,887	13,755	21,382
<b>Net E&amp;E expenses - Montviel</b>	<b>166,079</b>	<b>9,885</b>	<b>245,049</b>	<b>134,756</b>

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

#### *Change in non-cash working capital items*

	Six months ended November 30	
	2019	2018
	\$	\$
Accounts receivable	(23,267)	(11,684)
Sales taxes receivable	(35,772)	(11,370)
Tax credits receivable	(57,529)	(71,402)
Prepaid expenses and other	(96,521)	(8,259)
Stocks	(7,188)	-
Trade and other payables	13,716	(28,291)
Tax credits payable	-	(84,999)
	<b>(206,561)</b>	<b>(216,005)</b>

#### *Non-cash transactions*

	Six months ended November 30	
	2019	2018
	\$	\$
Conversion of convertible debentures into shares as a result of the exercise of conversion rights	110,000	-

### 15. SUBSEQUENT EVENTS

On December 15, 2019, the Corporation proceeded with the buy-back of minority positions totaling 3.84% in Innord Inc., the technological subsidiary of Geomega. The total consideration for the acquisition of the shares is \$ 371,208, payable by the issuance of a total of 2,516,664 shares of Geomega. The issue price of \$0.1475 was established based on the weighted average price of Geomega common shares, calculated on the volume of common shares traded during the 30-day period preceding the closing date of December 15, 2019. With this transaction, the Corporation now owns 100% of its subsidiary. Non-controlling interests of \$42,981 and the Liability related to share exchange rights of \$500,000 will be eliminated from the consolidated statement of financial position in the next quarter.

On January 10, 2020, the Corporation entered into a long-term lease agreement for the lease of an industrial space located in St-Bruno de Montarville, Quebec. The agreement, which will begin on February 1, 2020, is for an initial term of sixty (60) months with an option to renew for an additional sixty (60) months. The base rent is \$7.50 per square foot plus the estimated operating costs of \$3.75 per square foot and the area of the premises is 14,880 square feet. An asset and a liability will be recognized in future quarterly financial statements under IFRS 16.

On January 18, 2020, the Corporation granted its consultants 150,000 stock options at a price of \$0.185, valid for 5 years. These options were granted at an exercise price equal to the market price the day before the grant.