



Geomega Resources Inc.

Unaudited Condensed Interim Consolidated Financial Statements

Nine Months Ended February 29, 2020

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 February 29, 2020 \$	As at May 31, 2019 \$
Assets			
Current assets			
Cash and cash equivalents	4	609,578	33,438
Accounts receivable		61,103	23,256
Sales taxes receivable		44,475	17,330
Tax credits and government grant receivable		94,121	21,717
Prepaid expenses and others		100,839	17,463
Stocks		7,189	-
Current assets		917,304	113,204
Non-current assets			
Investment in an associate	5	1,613,227	2,039,287
Property and equipment	6	30,045	120,393
Rights-of-Use Asset	7	1,128,377	-
Non-current assets		2,771,649	2,159,680
Total assets		3,688,953	2,272,884
Liabilities			
Current liabilities			
Trade and other payables		387,988	336,323
Liability related to share exchange rights	11	-	500,000
Convertible debentures	9	-	106,661
Current part of the obligation under finance lease	10	81,250	-
Current liabilities		469,238	942,984
Non-current liabilities			
Obligation under finance lease	10	1,066,933	-
Non-current liabilities		1,066,933	-
Total liabilities		1,536,171	942,984
Equity			
Share capital	12	30,889,878	29,241,753
Equity component of convertible debentures		-	3,300
Warrants	13	396,417	267,024
Broker warrants	14	5,742	-
Stock options	15	343,215	343,326
Contributed surplus		4,385,820	4,279,526
Deficit		(33,868,290)	(32,769,526)
Equity attributable to Geomega Resources Inc.'s shareholders		2,152,782	1,365,403
Non-controlling interests	11,12	-	(35,503)
Total equity		2,152,782	1,329,900
Total liabilities and equity		3,688,953	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		Nine months ended	
		February 29 2020	February 28 2019	February 29 2020	February 28 2019
		\$	\$	\$	\$
Operating expenses					
Salaries, employee benefits, settlement and share-based compensation		55,612	33,575	164,077	95,318
Directors fees		11,250	16,250	33,750	33,750
Exploration and evaluation expenses, net of tax credits	16	131,005	60,626	376,054	195,382
Professional fees		25,167	25,931	83,022	166,517
Travel, conferences and investor relations		59,543	14,685	189,191	28,103
Administration		5,349	9,827	22,267	24,673
Filing fees		23,438	9,363	39,317	26,806
Rent		12,898	13,230	44,219	41,058
Depreciation of right-of-use Asset	7	14,283	-	14,283	-
Insurance, taxes and permits		12,757	4,776	22,018	18,850
Operating loss		(351,302)	(188,263)	(988,198)	(630,457)
Other income (expenses)					
Interest expenses		2,552	(3,217)	8,402	(9,560)
Loss on foreign exchange		4,743	-	3,679	-
Finance costs		(10,268)	(3,905)	(17,193)	(11,391)
Gain on disposal of property and equipment		-	-	111,523	-
Share of loss of associate	5	(279,852)	(178,519)	(441,314)	(846,665)
Net gain on dilution of investment in an associate	5	64,369	22,378	129,454	1,297,293
Net gain on sale of investment in an associate	5	-	-	29,800	-
Gain on buyback of share-exchange rights	11	84,750	-	84,750	-
		(133,706)	(163,263)	(90,899)	429,677
Net income (loss) - continuing operations		(485,008)	(351,526)	(1,079,097)	(200,780)
Net income - discontinued operations	8	2,081	118	15,836	21,500
Net and comprehensive earnings (loss)		(482,927)	(351,408)	(1,063,261)	(179,280)
Net income (loss) attributable to:					
Geomega Resources Inc. shareholders		(478,976)	(348,377)	(1,051,832)	(168,488)
Non-controlling interests		(3,951)	(3,031)	(11,429)	(10,792)
Basic and diluted earnings per share					
Basic and diluted earnings per share – Continuing Operations		(0.005)	(0.004)	(0.011)	(0.002)
Basic and diluted earnings per share - Discontinued Operations		(0.005)	(0.004)	(0.011)	(0.002)
Basic and diluted earnings per share - Discontinued Operations		0.000	0.000	0.000	0.000
Weighted average number of basic shares outstanding		102,089,068	90,072,634	99,796,209	90,072,634

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	Numbers 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		-	-	-	-	-	-	-	(1,051,832)	(1,051,832)	(11,429)	(1,063,261)
Units issued as part of private placements	12	8,800,215	1,069,677	-	162,353	-	-	-	-	1,232,030	-	1,232,030
Buyback of non-controlling interest in shares	11,12	2,516,664	415,250	-	-	-	-	-	(46,932)	368,318	46,932	415,250
Exercised stock options		441,250	71,430	-	-	-	(29,569)	-	-	41,861	-	41,861
Expired stock options		-	-	-	-	-	(79,970)	79,970	-	-	-	-
Exercised warrants		60,000	10,738	-	(1,738)	-	-	-	-	9,000	-	9,000
Expired warrants		-	-	-	(26,324)	-	-	26,324	-	-	-	-
Exercised conversion rights on convertible debentures		916,665	113,300	(3,300)	-	-	-	-	-	110,000	-	110,000
Shared-based compensation		-	-	-	-	-	109,428	-	-	109,428	-	109,428
Stock issuance costs		-	(32,270)	-	(4,898)	5,742	-	-	-	(31,426)	-	(31,426)
Balance at February 29, 2020		103,484,928	30,889,878	-	396,417	5,742	343,215	4,385,820	(33,868,290)	2,152,782	-	2,152,782

	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	(32,335,402)	1,577,489	(21,295)	1,556,194
Net and comprehensive income (loss)		-	-	-	-	-	-	-	(168,488)	(168,488)	(10,792)	(179,280)
Shared-based compensation		-	-	-	-	-	66,740	-	-	66,740	-	66,739
Expired stock options		-	-	-	-	-	(71,315)	59,578	-	(11,737)	-	(11,737)
Expired warrants		-	-	-	(439,806)	-	-	439,806	-	-	-	-
Extended warrants		-	-	-	49,506	-	-	-	(49,506)	-	-	-
Balance as of February 28, 2019		90,072,634	29,133,500	3,300	290,189	-	310,885	4,279,526	(32,553,396)	1,464,004	(32,087)	1,431,917

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)

		Nine months ended	
	Note	February 29 2020	February 28 2019
		\$	\$
Operating activities			
Net income (loss) - continued operations		(1,079,097)	(200,780)
Net income - discontinued operations	8	13,755	21,500
Net and comprehensive earnings (loss)		(1,063,261)	(179,280)
Adjustment for:			
Share-based compensation		109,428	55,003
Depreciation of property, plant and equipment		25,230	38,371
Depreciation of right-of-use asset	7	14,283	-
Finance costs for the accretion of debentures		3,339	11,391
Finance costs for the accretion of obligation under finance lease	10	9,477	-
Gain on disposal of property, plant and equipment		(111,523)	-
Gain on buyback of share-exchange liabilities	11	(84,750)	-
Share of loss of an associate		441,314	846,665
Net gain on dilution of investment in an associate		(129,454)	(1,297,293)
Net gain on sale of investment in an associate	5	(29,800)	-
Change in non-cash working capital items	17	(176,295)	(145,197)
Cash flows from operating activities		(992,012)	(670,340)
Investing activities			
Acquisitions of property, plant and equipment		(17,860)	(35,295)
Dispositions of property, plant and equipment		194,501	-
Disposition of an investment in an associate	5	144,000	-
Cash flows from (used) in investing activities		320,641	(35,295)
Financing activities			
Private placements		1,200,604	-
Exercised stock options		41,861	-
Exercised warrants		9,000	-
Obligation under finance lease payments		(3,954)	-
Cash flows from financing activities		1,247,511	-
Net change in cash flow		576,140	(705,635)
Cash and cash equivalents- at the beginning		33,438	726,786
Cash and cash equivalents- at the end		609,578	21,151

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

Nine months ended February 29, 2020

(Unaudited, in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Geomega Resources Inc. (the "Corporation" or "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 unaudited condensed interim consolidated financial statements (the "Financial Statements") were approved by the Corporation's Board of Directors on May 11, 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 nine months ended February 29, 2020, the Corporation reported a net loss of \$1,063,271 and has accumulated a deficit of \$33,868,290 up to that date. As at February 29, 2020, the Corporation had a working capital of \$448,066.

Management estimates that the working capital will not be sufficient to meet the Corporation's obligations and commitments and budgeted expenditures through February 29, 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

Nine months ended February 29, 2020

(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 earnings.

The Corporation has been applying this standard since June 1, 2019, but it did not apply to any contract in effect at that time.

On January 10, 2020, the Corporation signed a new lease agreement for the lease of an industrial space that will be used for the construction of the demonstration plant for the recycling of permanent magnets.

Amounts recorded in the Consolidated Statement of Financial Position and the Consolidated Statement of Earnings and Comprehensive Earnings

The following table presents the book values of the assets under the Corporations's usage rights and the obligation linked to this lease contract as well as the variations during the period:

	Right-of-Use Asset	Obligation under finance lease
	\$	\$
Balance, opening	-	-
New lease contract signed during the period	1,142,660	1,142,660
Depreciation of the right-of-use asset	(14,283)	-
Accretion expense	-	9,477
Obligation under finance lease payments	-	(3,954)
Balance, end	1,128,377	1,148,183

Geomega Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 29, 2020

(Unaudited, in Canadian dollars)

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

Right-of-Use Assets

The Corporation recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Corporation is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Obligation under finance lease

At the commencement date of the lease, the Corporation recognizes an obligation under finance lease measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payments of penalties for terminating a lease, if the lease term reflects the Corporation exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Corporation uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the obligation under finance lease is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the obligation under finance lease is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Determining the lease term of contracts with renewal or termination options

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

Nine months ended February 29, 2020

(Unaudited, in Canadian dollars)

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 equivalent include a guaranteed investment certificate bearing the following conditions:

- Investment of \$404,022 USD at a rate of 1.73% maturing on March 2, 2020. 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 February 29, 2020 is \$1,517,143 (16,857,143 shares at \$0.09, 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 February 29, 2020.

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

Nine months ended February 29, 2020

(Unaudited, in Canadian dollars)

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

	Nine months ended February 29, 2020	Year ended May 31, 2019
	\$	\$
Balance at beginning of period	2,039,287	1,792,242
Share of net loss	(441,314)	(929,664)
Net gain from dilution of the interest	129,454	1,176,709
Proceeds from disposition of participation	(144,000)	-
Net gain on the sale of an interest	29,800	-
Balance at end of period	1,613,227	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 that include:

- 14,178,579 common shares, released;
 - 2,678,574 common shares, 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	-	-	17,860	-	17,860
Depreciation	-	(1,900)	(21,887)	(1,443)	(25,230)
Disposal	-	(1,900)	-	(81,078)	(82,978)
Closing net book value	-	-	30,045	-	30,045
As at February 29, 2020					
Cost	14,984	-	638,950	-	653,934
Accumulated Depreciation	(14,984)	-	(608,905)	-	(623,889)
Closing net book value	-	-	30,045	-	30,045

Geomega Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 29, 2020

(Unaudited, in Canadian dollars)

6. PROPERTY AND EQUIPMENT

	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. RIGT-OF-USE ASSET

	Commercial rent
	\$
Fiscal 2020	
Opening net book value	-
Additions	1,142,660
Depreciation	(14,283)
Closing net book value	1,128,377
As at February 29, 2020	
Cost	1,142,660
Accumulated Depreciation	(14,283)
Closing net book value	1,128,377

8. DISCONTINUED OPERATIONS

On November 30, 2019, the Corporation proceeded with the sale of its rolling stock. 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.

Geomega Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 29, 2020

(Unaudited, in Canadian dollars)

8. DISCONTINUED OPERATIONS (CONT'D)

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		Nine Months Ended	
	February	February	February	February
	29	28	29	28
	2020	2019	2020	2019
	\$	\$	\$	\$
Exploration and evaluation revenues (expenses), net of tax credits	2,081	118	15,836	21,500
Revenues from discontinued operations	2,081	118	15,836	21,500

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		Nine Months Ended	
	February	February	February	February
	29	28	29	28
	2020	2019	2020	2019
	\$	\$	\$	\$
Cash flows from operating activities	2,081	118	15,836	21,500
Cash flows from discontinued operations	2,081	118	15,836	21,500

9. CONVERTIBLE DEBENTURES

	Nine months	
	ended	Year ended
	February 29, 2020	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

Nine months ended February 29, 2020

(Unaudited, in Canadian dollars)

10. OBLIGATION UNDER FINANCE LEASE

	Nine months ended February 29, 2020
	\$
Balance, opening	-
New contract signed during the period	1,142,660
Accretion expense	9,477
Rental obligation payments	(3,954)
Balance, end	1,148,183

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 began on February 1, 2020, is for an initial term of sixty (60) months with an option to renew 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 premises is 14,880 square foot.

11. NON-CONTROLLING INTEREST

On June 3, 2016, the Corporation concluded a subscription agreement with two institutional investors, Société de développement 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. Other additional conditions could have result in an automatic repurchase of the shares by the Corporation.

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.

Geomega Resources Inc.

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11. NON-CONTROLLING INTEREST (CONT'D)

On December 15, 2019, the Corporation repurchased the non-controlling interest in Innord and the associated liability related to share exchange rights. 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 based on the weighted average price of Geomega's common shares, calculated on the volume of common shares traded during the 30-day period prior to the December 15, 2019 closing date. Since the transaction was approved by the stock exchange on January 13, 2020, the date on which the shares were issued, the consideration paid in shares in the Corporation's books must be based on the market value of the shares on this date, which was \$0.165 per share, resulting in a total consideration of \$415,250 and a gain of \$84,750 to the consolidated statements of earnings and comprehensive earnings.

	Fiscal 2019	Fiscal 2018
	\$	\$
Balance, opening	500,000	477,840
Accretion expense	-	22,160
Buyback in shares of the liability related to share exchange rights	(415,250)	-
Gain on repurchase of share-exchange right	(84,750)	-
Liability related to exchange rights	-	500,000

12. 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.

Buyback of non-controlling interests

On January 13, 2020, the Corporation repurchased the 3.84% non-controlling interests in Innord for 2,516,664 common shares of the Corporation, issued at a value of \$0.165 per share, for a total consideration of \$415,250. The \$500,000 liability related to share exchange rights associated with these minority shares was repurchased with this transaction (note 11) and the non-controlling interests of \$46,932 were reclassified in the Corporation's deficit.

Geomega Resources Inc.

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13. WARRANTS

Changes in the Corporation's warrants are as follows:

	Nine Months Ended February 29, 2020		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	(60,000)	0.15	(550,000)	0.12
Expired	(625,000)	0.12	(4,090,638)	0.23
Balance, end	10,093,886	0.18	6,378,778	0.16

The number of outstanding warrants as at February 29, 2020 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
1,266,000	0.15	May 18, 2020
1,302,778	0.23	June 19, 2020 (extended)
3,265,197	0.20	July 2, 2021
1,134,911	0.20	July 10, 2021
10,093,886		

14. BROKER WARRANTS

Changes in the Corporation's warrants are as follows:

	Nine Months Ended February 29, 2020		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	-	-
Balance, end	120,800	0.20	-	-

The number of outstanding warrants as at February 29, 2020 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		

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15. STOCK OPTIONS

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

	Nine months ended February 29, 2020		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	2,250,000	0.16	3,050,000	0.09
Expired	(577,500)	0.20	(470,000)	0.18
Exercised	(441,250)	0.09	(127,500)	0.09
Forfeited	(437,500)	0.13	(417,500)	0.09
Balance, end	7,373,750	0.11	6,565,000	0.10
Balance, end exercisable	4,048,750	0.09	3,760,000	0.10

The number of options outstanding as at February 29, 2020 are as follows:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry date
		\$	
300,000	300,000	0.09	September 13, 2020
500,000	500,000	0.07	November 22, 2020
1,270,000	1,270,000	0.095	November 29, 2021
778,750	778,750	0.09	October 19, 2022
400,000	300,000	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	50,000	0.08	December 10, 2023
400,000	100,000	0.09	March 13, 2024
250,000	62,500	0.175	July 29, 2024
1,575,000	-	0.155	October 23, 2024
200,000	-	0.155	November 28, 2024
150,000	-	0.185	January 19, 2025
75,000	-	0.20	February 13, 2025
7,373,750	4,048,750		

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 February 13, 2020, the Corporation granted an employee 75,000 stock options, priced at \$0.20, valid for 5 years. The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: risk-free interest rate of 1.43%, expected volatility of 79%, no dividend per share and expected duration of 3.75 years options

On January 19, 2020, the Corporation granted a consultant 150,000 stock options priced at \$0.185, valid for 5 years. The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: risk-free interest rate of 1.60%, expected volatility of 79%, no dividend per share and expected duration of 3.75 years options

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15. STOCK OPTIONS (CONT'D)

On November 28, 2019, the Corporation granted a consultant 150,000 stock options, priced at \$0.155, valid for 5 years. The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: risk-free interest rate of 1.553%, expected volatility of 79%, no dividend per share and expected duration of 3.75 years options

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.

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.

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16. EXPLORATION AND EVALUATION EXPENSES

Montviel	Three months ended		Nine months ended	
	February 29 2020	February 28 2019	February 29 2020	February 28 2019
	\$	\$	\$	\$
Acquisition and maintenance	-	-	813	9,162
Exploration				
Salaries and benefits	2,070	-	15,143	-
Share-based compensation	5,030	2,205	8,141	7,084
Geology	-	-	611	-
Transport and lodging	687	2,445	69,569	1,700
Depreciation of property and equipment	-	3,114	3,343	9,037
Taxes, permits and insurances	(2,081)	1,561	2,279	2,750
Billing - rental	-	(6,206)	(22,741)	(33,956)
Total exploration	5,706	3,119	76,345	(13,385)
Evaluation				
Salaries and benefits - Metallurgy and processing	100,473	76,096	259,757	223,241
Separation process	18,538	24,100	53,627	89,082
Depreciation of property and equipment	7,830	7,881	21,887	29,334
Engineering	122,934	-	217,394	-
Total Evaluation	249,775	108,077	552,665	341,657
Gross E&E expenses	255,481	11,196	629,823	337,434
Government grants	(125,546)	(50,688)	(231,018)	(117,170)
Tax Credits	(1,011)	-	(38,587)	(46,382)
	128,924	60,508	360,218	173,882
Transferred to discontinued operations	2,081	118	15,836	21,500
Net E&E expenses - Montviel	131,005	60,626	376,054	195,382

17. ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED CASH FLOW STATEMENT

Change in non-cash working capital items

	Nine months ended	
	February 29 2020	February 28 2019
	\$	\$
Accounts receivable	(37,847)	7,142
Sales taxes receivable	(27,145)	(11,230)
Tax credits receivable	(72,404)	(26,466)
Prepaid and other expenses	(83,376)	2,977
Stocks	(7,188)	-
Creditors and accrued expenses	51,665	(32,621)
Tax credits payable	-	(84,999)
	(176,295)	(145,197)

Geomega Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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

Non-cash transactions

	Nine months ended	
	February 29 2020	February 28 2019
	\$	\$
Conversion of convertible debentures into shares as a result of the exercise of conversion rights	(110,000)	-
Right-of-use asset acquired with an obligation under finance lease	(1,142,660)	-
Buyback in shares of the liability related to the exchange rights associated with the non-controlling interests	(415,250)	-

18. EVENTS AFTER THE DATE OF FINANCIAL SITUATION

After the quarter ended February 29, 2020, the COVID-19 pandemic had a significant and negative impact on the global financial market as well as on commercial and industrial activities. The Corporation continues to monitor and assess the impact on its activities. The potential impact is uncertain, and it is difficult to reliably measure the extent of the effect of the COVID-19 pandemic on future financial results. However, the Corporation was able to continue most of the work in progress, including engineering work for the development of the rare earth recycling demonstration plant.

On April 22, 2020, the Corporation and its subsidiary Innord, received emergency loans of \$40,000 each in connection with the COVID-19 crisis for a total of \$80,000, bearing no interest until December 31, 2022 and of which 25% of the loan is non-refundable if the entire loan is repaid before this date.

On April 17, 2020, the Corporation's directors waived their accumulated compensation of \$105,000 recorded as a liability in the consolidated statement of financial position of the Corporation. On the same day, the Corporation granted the directors a total of 1,125,000 stock options, at a price of \$0.165 valid for 5 years and fully vested on the award date. These options were granted at a value equal to the market price the day before the grant.

On April 17, 2020, the Corporation granted employees and consultants 650,000 stock options at a price of \$0.165 valid for 5 years and vesting at a rate of 25% per period of six-months. These options were granted at an exercise price equal to the market price the day before the grant.

On April 15, 2020, the 1,302,778 warrants with an initial exercise price of \$0.23 maturing on June 19, 2020 were revalued at a new exercise price of \$0.14, with the expiry date remaining unchanged. On the same day, the 825,000 warrants expiring on May 2, 2020 and the 2,300,000 warrants expiring on May 14, 2020, all at an exercise price of \$0.15, were extended for two years until May 2, 2022 and May 14, 2022, respectively.