Geomega Resources Inc.

Management's Discussion and Analysis

May 31, 2020

The following management discussion and analysis (the "MD&A") of the financial condition and results of the operations of Geomega Resources Inc. (the "Corporation" or "Geomega") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the year ended May 31, 2020. This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements as at May 31, 2020 prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures are in Canadian dollars unless otherwise noted.

The MD&A contains forward-looking statements not based on historical facts. Forward-looking statements express, as of the date of this MD&A, management's estimates, forecasts, projections, expectations and opinions as to future events or results. Forward-looking statements herein expressed are reasonable, but involve a number of risks and uncertainties, and there can be no guarantee that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to; economic conjuncture, fluctuations in the market price of metals, mining industry risks, uncertainty as to the calculation of mineral reserves and requirements of additional financing and the capacity of the Corporation to obtain financing.

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, 2018 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 29, 2020
Q4-20	March 1, 2020 to May 31, 2020
Fiscal 20	June 1, 2019 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. The common shares of the Corporation are trading under the symbol GMA on the TSX Venture Exchange (the "Exchange").

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. All research and development initiatives of Geomega is 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 4,750,215 units at a price of $0.14 CAD and 4,050,000 units at a price of $0.105 USD for total gross proceeds of $1,223,073. Each unit is composed 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.

2.2 Other sources of financing

During Fiscal 2020, the Corporation received a total of $182,113 from the exercise of 785,000 warrants and 791,250 options. A total of 1,576,250 shares were issued.

In the context of the COVID-19 pandemic outbreak, the Corporation and its wholly owned subsidiary Innord both applied for and received $40,000 under the Canada Emergency Business Account (“CEBA”) program which is an interest-free loan offered to cover operating costs. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of $10,000. On December 31, 2022, the Corporation has the option to extend the loan for 3 years and it will bear a 5% interest rate. To estimate the fair value, the debt component was estimated first at $53,412 ($26,706 for each company), considering the forgiveness and interest free aspects.

Also, in the context of the COVID-19 pandemic outbreak, the Corporation obtained a grant from the Innovation Assistance Program. This grant of $20,328 covers a portion of salaries during the slowdown caused by the pandemic.

On February 7, 2020, the Corporation secured a debt financing to build the rare earth magnet recycling demonstration plant in St-Bruno-de-Montarville, Quebec. Project financing is provided by Investissement Quebec (“IQ”), who is acting as agent of the Quebec Government, through the ESSOR program of the Ministry of Economy and Innovation of Quebec (Ministère de l'Économie et de l'Innovation du Québec - “MEI”). The debt financing is for a total of $1,720,000, based on a project evaluated at $3.2M including capital costs and working capital, is repayable over 72 months starting from 24 months following the first withdrawal of the funds and bears no interests. The proposed use of funds will be towards the purchase of equipment, engineering, and construction of the demonstration plant. This non dilutive debt financing for the Corporation has no warrants or finder’s fees attached.

On December 9, 2019, the Corporation signed, through its subsidiary Innord, an amendment to add $113,500 to the initial $350,000 grant from the Industrial Research Assistance Program (“IRAP”) program with the National Research Council Canada. This additional grant covers up to 50% of subcontracting costs during the construction of the demonstration plant. An amount of $36,500 was added in March 2020 and an amount of $140,000 was added in June 2020 for a total grant of $640,000$. As of May 31, 2020, $493,045 had been claimed.

On September 30, 2019, the Corporation concluded a transaction with a third party for the sale of its warehouse located in Lebel-sur-Quévillon, Québec. The sale price was $175,000 and no transaction costs were incurred for this sale. The carrying value of the property was $81,078.

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 Front End Engineering Design (“FEED”) study. This amount was revised upward on October 4, 2019 to $81,856.

2. CORPORATE UPDATE (CONT'D)

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 (loss) income and comprehensive loss.

2.3 Demonstration Plant

Following the validation of it's ISR proprietary technology (Innord REE Separation) in Fiscal 2019 and the successful construction of a mini-pilot on a lab scale level, the Corporation announced on April 3, 2019 its intentions to build a demonstration plant to produce rare-earth oxide through processing of third-party sourced magnet.

This announcement was a major step in the Corporation's activities as it should permit to move from a Research and Development focused company to a Production company. The Corporation has focused in recent weeks on securing its supply, its customers and its visibility on the market in order to position itself as a Rare Earth Producer.

Here is the list of the progress made in Fiscal 2020 towards the construction of the demonstration plant:

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 monthly payments used to calculate the lease obligation include the base rent for the area of premises of 14,880 square foot. This space will be used for the construction of the demonstration plant for the recycling of permanent magnets.

On January 27, 2020, the Corporation announced the addition of Hatch Engineering Ltd ("Hatch") to its engineering group to advance development and prepare for the construction of the rare earth magnet recycling plant.

On February 24, 2020, the Corporation signed an agreement with Jobmaster Magnets Canada Inc. ("Jobmaster Magnets") to increase the recycling of rare earth magnets in Canada and abroad, which will result in additional supplies for the Geomega plant. As part of this agreement, Geomega and Jobmaster will set up a collection and recycling program with end users and traditional recyclers to return used magnets to Geomega or Jobmaster Magnets to be recycled using Geomega technology to produce rare earth.

On June 4, 2020, the Corporation announced that Mr. Matt Silvestro, President & Owner of Jobmaster Magnets, has joined the Board of Directors of the Corporation. This addition to the Board of Directors will bring significant experience and knowledge in the magnet industry.

On July 16, 2020 the Corporation, along with and USA Rare Earth, LLC, the funding and development partner of the Round Top Heavy Rare Earth and Critical Minerals Project in West Texas, announced that they have entered into a Letter of Intent (LOI) to recycle rare earth-containing production waste from USA Rare Earth's future production of sintered neodymium iron boron (NdFeB) permanent magnets (sintered neo magnets) in the United States.

2. CORPORATE UPDATE (CONT'D)

On August 6, 2020, the Corporation provided an update on engineering and development activities for the demonstration plant. Geomega received from Hatch process flow diagrams, equipment list, utilities, stream tables and a heat and mass balance. Several modifications and improvements were made on the process, which will be undergoing several demonstration test runs using the Corporation's pilot unit at its facilities in Boucherville, Quebec. The test runs of the updated process will also be used to collect data on emissions for permitting purposes. The modifications and improvements include a simplification of several units of operation, validation of various parameters for equipment selection and by-product recovery. The pilot test runs are all expected to take place during the month of August while other in-house engineering activities are continuing.

See Section 3 for an outlook on upcoming activities.

2.4 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 and the non-controlling interests of $46,932 were reclassified in the Corporation's deficit.

2.5 AMF investigation

On July 14, 2016, the Corporation announced that an investigation, focusing on one of the Corporation's employees in regards to trading activities in Geomega securities while in possession of information and for providing that information to others, was being conducted by the Autorité des marchés financiers ("AMF"), the securities regulatory authority in the Province of Quebec. In light of these allegations, the Corporation has put in place operational safeguards to protect its interests and those of its shareholders. The Corporation continues to monitor the investigation as it proceeds.

2.6 Various

On April 20, 2020, following the global health crisis linked to COVID-19, the Corporation modified its pilot plant in Boucherville in order to be able to produce a hand sanitizer which will be mainly intended for retirement homes and hospitals with urgent need for this product. This is a temporary measure that was put in place without detracting from the engineering work which is continuing in parallel. On May 6, 2020, the Corporation announced the start of production of the hand sanitizer product.

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:

- Complete the engineering work in progress
- Vendor selection and equipment ordering
- Carry out 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
- Monitor the impact of COVID-19 on the market and adjust activities accordingly

4. EXPLORATION AND VALIDATION OF THE SEPARATION TECHNOLOGY ACTIVITIES

4.1 Expense summary - Montviel property

Montviel	Fiscal 2020	Fiscal 2019
	$	$
Acquisition and maintenance	**813**	**10,337**
Exploration		
Salaries and benefits	15,143	437
Share-based compensation	13,644	7,440
Geology	611	1,272
Transport and lodging	70,659	6,883
Depreciation of property and equipment	3,343	12,151
Taxes, permits and insurances	3,182	5,595
Billing - rental	(21,117)	(48,621)
Total exploration	**85,465**	**(14,843)**
Evaluation		
Salaries and benefits – Separation process	360,009	305,851
Separation process	72,721	101,692
Depreciation of property and equipment	22,800	35,502
Engineering	494,449	-
Total Evaluation	**949,979**	**443,045**
Total gross E&E expenses	**1,036,257**	**438,539**
Government grants	(355,554)	(176,587)
Net tax credits	(65,781)	(46,382)
Net E&E expenses - Montviel	**614,922**	**215,570**

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 sections 4.1, 4.2 and 4.3.

The Corporation owns 100% of the Montviel property, located approximately 100 km north of Lebel-sur-Quévillon and 45 km west of the Cree First Nation of Waswanipi. The Montviel property comprises 161 mining claims totalling 8,942 hectares as at May 31, 2020.

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.

4. EXPLORATION AND VALIDATION OF THE SEPARATION TECHNOLOGY ACTIVITIES (CONT'D)

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 subsidiary of Geomega, is technically feasible and uses off the shelf equipment thereby making it easier to scale up.

Expected Construction Costs*

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

The Corporation is currently conducting further engineering work with Hatch Engineering to finalize the process design and prepare the next steps of the plant development.

4.3 Environmental Geochemistry

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

4.4 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 Company is focussing on scaling up its activities and will pursue the remaining work for the PEA subsequently.

5. FINANCIAL HIGHLIGHTS

During Fiscal 20, the Corporation reported a net loss of $1,544,129 (net loss of $578,458 during Fiscal 19). The main variations are as follow:

- Salaries, benefits, settlement and share-based compensation of $204,993 ($124,396 in Fiscal 19). Of this amount, $66,258 represents share-based compensation ($39,354 in Fiscal 19), an increase explained by issuances in October 2019 and April 2020 of 1,550,000 options to Officers and Directors. The balance, comprised of salaries and benefits, represents $138,735 in Fiscal 20 ($85,042 in Fiscal 19). The Corporation hired an internal CFO in October 2018, which explains the increase in salaries, but the decrease in professional fees, which are of $91,152 in Fiscal 20 compared to $167,445 in Fiscal 19.

- Exploration and evaluation expenses, net of grants and tax credits of $614,922 ($215,570 in Fiscal 19). See the analysis of work on the Montviel property in Section 4.1. Since the beginning of Fiscal 2020, expenditures of $494,449 have been incurred on the preliminary engineering of the demonstration plant. However, 40% to 50% of the engineering expenses incurred were covered by the “SME in action” and IRAP programs presented in section 2.4.

- Travel, conference and investor relations of $263,536 ($97,859 during Fiscal 19). 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 trade shows. A total of $73,250 of the Fiscal 20 expenses represent stock-based compensation.

- Share of loss of an associate of $553,957 ($929,664 in Fiscal 19) and net gain on the dilution of investment in an associate of $137,029 ($1,176,709 in Fiscal 19). Kintavar is the only associate of the Corporation and this investment is accounted for using the equity method. The investment in Kintavar has decreased from 28.76% to 21.77% in Fiscal 19 as a result of shares issued and exercise of warrants and options for a total number of 19,945,598 Kintavar shares. In addition, exploration work increased in Kintavar following private placements in June 2018, also increasing the share of the loss attributed to Geomega. During Fiscal 20, the equity interest of Geomega in Kintavar decreased from 21.77% to 18.48% following the issuance of 9,125,000 Kintavar shares and following the sale of 1,000,000 shares by Geomega, generating a gain of $29,800 in the consolidated financial statements. See section 2.2 for more details on this transaction.

- The gain on disposal of fixed assets of $111,523 in the consolidated financial statements of Fiscal 20 comes from the sale of a warehouse and rolling stock which were no longer used by the Corporation. See section 2.2 for more details.

- The gain on buyback of the share exchange rights of $84,750 comes from the gain realized on the buyback of non-controlling shareholders in Innord and the related conversion right liability. This transaction has no monetary impact. See section 2.4 for more details.

5. FINANCIAL HIGHLIGHTS (CONT'D)

5.1 Selected Annual Information

	Fiscal 2020	Fiscal 2019	Fiscal 2018
	$	$	$
Operating loss	(1,376,340)	(797,009)	(855,120)
Other income (loss)	(176,746)	218,551	199,857
Net loss	(1,544,129)	(578,458)	(655,263)
Basic and diluted loss per share	(0.018)	(0.006)	(0.008)
Total Assets	3,128,020	2,272,884	2,745,124
Non-Current Liabilities	(791,499)	-	(91,120)

5.2 Shares outstanding

	As at August 13, 2020	As at May 31, 2020
	Number of shares	Number of shares
Shares	104,837,706	104,559,928
Stock options	9,498,750	9,248,750
Warrants	8,791,108	9,368,886
Broker options	120,800	120,800
	123,248,367	**123,298,364**

On June 3, 2020, the Corporation welcomed a new Director to its Board of Directors (see 2.3) and granted him 250,000 stock options at a price of $0.155 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 June 19, 2020, 277,778 warrants were exercised at a price of $0,14 for a total of $38,889 and 300,000 warrants expired.

6. SUMMARY OF QUARTERLY RESULTS

For the eight most recent quarters:

	Q4-20	Q3-20	Q2-20	Q1-20
	$	$	$	$
Operating loss	403,973	349,222	329,417	293,728
Other (income) expenses	76,890	133,706	(82,607)	39,800
Net loss	480,863	482,928	246,810	333,528
Basic and diluted loss per share	0.007	0.005	0.003	0.004

6. SUMMARY OF QUARTERLY RESULTS (CONT'D)

	Q4-19	Q3-19	Q2-19	Q1-19
	$	$	$	$
Operating loss	188,053	188,145	139,434	281,377
Other (income) expenses	81,494	163,263	363,503	(826,811)
Net income (loss)	269,637	351,408	502,937	(545,434)
Basic and diluted loss per share	0.002	0.004	0.006	(0.006)

As indicated in section 1, the Corporation is still in the exploration and evaluation phase. It has not started generating revenue yet, which makes it normal to find a net loss in the profit and loss statement.

The increase in operating expenses throughout Fiscal 20 was caused by the intensification of engineering work with the progress made on the process and the construction stage of the demonstration plant approaching.

In Q2-20, the other income was mainly created by the gain on disposal of properties and equipment, more precisely the warehouse and the rolling stock that were used for exploration.

In Q1-19, the net income generated was mainly due to a net gain following the dilution of the investment in an associate of $1,126,065 following the issuance of 17,297,007 shares by Kintavar in June 2018. The Corporation's share in Kintavar decreased from 28.76% to 22.49%.

7. LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2020, the Corporation had $485,780 in cash and $130,144 in accounts receivable. The Corporation had a working capital of $435,805 (negative of 829,780 as at May 31, 2019).

On February 7, 2020, the Corporation secured a debt financing to build the rare earth magnet recycling demonstration plant in St-Bruno-de-Montarville, Quebec. The debt financing for a total of $1,720,000 has not been reflected in the consolidated financial statements at this time since the Corporation has not yet used the allocated funds. See section 2.1 for more details on this debt financing.

8. COMMITMENTS

As at May 31, 2020, the Corporation is committed to future minimum payments of principal and interest on the debt, as follows:

	Up to 1 year	1 to 5 years	More than 5 years	Total
	$	**$**	**$**	**$**
Trade and other payables	299,412	**-**	**-**	299,413
Lease Liability – Current contractual maturities	159,049	596,433	-	755,482
Lease Liability – Future renewal options[1]	-	-	808,498	808,498
Long-term debt	-	60,000	-	60,000
	458,461	**656,433**	**808,498**	**1,923,393**

9. OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

10. RELATED PARTY TRANSACTIONS

10.1 Key Management Remuneration

Key management personnel of the Corporation include the Directors, the President and Chief Executive Officer, the Chief Financial Officer, the Vice-President Exploration and the Chief Technology Officer. Key management remuneration includes the following expenses:

	Fiscal 2020	Fiscal 2019
	$	$
Short-term employee benefits		
Salaries and settlement	298,085	236,449
Directors' fees	33,750	45,000
Benefits	51,767	41,766
Professional fees	-	34,227
Total short-term employee benefits	383,602	357,442
Share-based compensation	89,588	57,670
Total remuneration	**473,190**	**415,112**

10.2 Transaction with related parties

In the normal course of business:

- A firm in which an officer is a partner charged professional fees amounting to $14,300 ($30,523 in Fiscal 2019).
- As at May 31, 2020, the balance due to related parties amounted to nil ($6,666 as at May 31, 2019).

Out of the normal course of business:

- Directors and officers of the Corporation participated in a private placement in July 2019. 450,250 shares of the Corporation were bought at a price of $0.14, for a total value of $63,035.

10.3 Allowance for Termination or Change of Control

There are certain employment agreements between key management and the Corporation that contain a termination provision and a change of control provision. If the provision for termination without cause or change of control involving adverse changes to duties assigned to key management had occurred as at May 31, 2020, the amounts payable for the executive team would have totalled $337,025 and $1,098,100 respectively. In the case of termination for cause, no compensation will be paid.

10.4 Billing according to agreement with Kintavar and it subsidiary

	Fiscal 2020	Fiscal 2019
	$	$
Exploration and evaluation, net of tax credits	42,435	49,472
Sale of equipment	19,501	-
Travel, conventions and investor relations	10,494	23,009
Administration	-	118
Rent	10,900	12,975
Total	**83,330**	**85,574**

As of May 31, 2020, the amount receivable from Kintavar was $37,394 ($23,241 as of May 31, 2019).

11. FINANCIAL INSTRUMENTS

The Corporation is exposed to various financial risks resulting from both its activities and investments. The Corporation manages the financial risks. The Corporation does not use transactions in financial instruments, including derivative financial instruments for speculative purposes. Exposure of the Corporation to key financial risks and financial policies in this area are described in the annual financial statements of May 31, 2020 in Note 23.

12. STOCK OPTION PLAN

The purpose of the stock option plan is to serve as an incentive for the directors, officers and service providers who will be motivated by the Corporation's success as well as to promote ownership of common shares of the Corporation by these people. There is no performance indicator relating to profitability or risk attached to the plan. The maximum number of common shares in the capital of the Corporation that may be reserved for issuance under the plan is limited to a maximum of 10% of the common shares outstanding.

13. RISK AND UNCERTAINTIES

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Corporation and its financial position.

The following discussion reviews a number of important risks which management believes could impact the Corporation's business. There are other risks, not identified below, which currently, or may in the future, exist in the Corporation's operating environment.

13.1 Financial risk and going concern risk

The Corporation is an exploration and evaluation company and has no source of income. The Corporation has to raise additional funds to continue operations. The Corporation relies upon its ability to secure significant additional financing to meet the minimum capital required to successfully complete the projects and continue as a going concern. 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, especially in the Covid-19 pandemic outbreak context. The extent and duration of impacts that the coronavirus may have on the Corporation's operations including suppliers, service providers, employees and global financial markets is still uncertain at this time. The Corporation is monitoring developments in order to be in a position to take appropriate actions as needed. 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 consolidated financial statements.

The Corporation may be required to delay discretionary expenditures if such additional financing cannot be obtained on reasonable terms, which could result in delay or indefinite postponement of exploration and evaluation projects and may result in a material adverse effect on the Corporation's results of operation and its financial condition.

The audited financial statements of the Corporation do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern. There is no assurance that any assumptions of management of the Corporation regarding the ability to continue as a going concern will remain accurate or that the Corporation will in fact be able to continue as a going concern. Note 1 of the audited financial statements for the year ended May 31, 2020 reflects this uncertainty.

13. RISK AND UNCERTAINTIES (CONT'D)

13.2 Volatility risk of the financial markets

During the last few years, the securities markets have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price will not occur. It may be anticipated that the price of the Corporation's common shares will be subject to market trends generally, notwithstanding any potential success of the Corporation in creating value in its exploration assets, and its price will be affected by such volatility.

As a result of the extreme volatility occurring in the financial markets, investors are moving away from assets they perceive as risky to those they perceive as less so. Companies like Geomega are considered risky assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Corporation to access the capital markets to raise the capital it will need to fund its current level of expenditures.

13.3 Dilution risk of common shares

During the life of the Corporation's outstanding stock options, warrants, convertible debentures and share exchange rights, the holders are given an opportunity to profit from an increase in the market price of the common shares with a resulting dilution in the interest of shareholders. The holders may exercise such securities at a time when the Corporation may have been able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding options. The increase in the number of common shares in the market, if all or part of these outstanding options were exercised, and the possibility of sales of these additional shares may have a depressive effect on the price of the common shares.

Furthermore, the Corporation will require additional funds to fund further exploration. If the Corporation raises additional funding by issuing additional equity securities, such financing may dilute the holdings of the Corporation's shareholders.

13.4 Risks inherent to the industry

Mineral exploration and development involve several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs and the operation of mines.

The commercial viability of exploiting any metal deposit is dependent on a number of factors including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes, and royalties. No assurance can be given that minerals of sufficient quantity, quality, size and grade will be discovered on any of the Corporation's properties to justify commercial operation.

Numerous external factors influence and may have significant impacts on the operations of the Corporation and its financing needs. Furthermore, exploiting REE deposits is dependent on risk factors that are specific to the REE market, including the complexity and costliness of the REE separation process, potential difficulties in finding buyers and the potential for buyers to develop replacement technologies that use less or no REEs.

13. RISK AND UNCERTAINTIES (CONT'D)

13.5 Titles to Property

Although the Corporation has taken steps to verify title to the property on which it is conducting exploration and in which it is acquiring an interest in accordance with industry standards for the current stage of exploration and evaluation of such property, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements, aboriginal claims and noncompliance with regulatory requirements.

13.6 Permits and Licenses

The Corporation's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

13.7 Environmental and Other Regulations

Current, possible or future environmental legislation, regulations and measures may entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Corporation's activities. The requirements of the environmental regulations and standards are constantly re-evaluated and may be considerably increased, which could seriously hamper the Corporation or its ability to develop its properties economically. Before a property can enter into production, the Corporation must obtain regulatory and environmental approvals. There can be no assurance that such approvals will be obtained or that they will be obtained in a timely manner. The cost related to assessing changes in government regulations may reduce the profitability of the operation or altogether prevent a property from being developed. The Corporation maintains an environmental management system including operational plans and practices and considers that it is in material compliance with the existing environmental legislation.

13.8 Research and Development Goals and Progress Frames

The Corporation sets goals for and makes public statements regarding the results of its research and development in its separation technology, and the expected timing of these results. Future results, and the timing of these results, are material to the success of the Corporation, but are uncertain and can vary due to factors such as delays or failures in the Corporation's contemplated financings, uncertainties inherent in the research and development process, reliance on key personnel and other factors. There can be no assurance that the Corporation will be able to adhere to its current schedule for achieving desired research and development results.

13.9 Mining Law and Governmental Regulation

The Corporation's activities entail compliance with the applicable legislation or review processes and the obtaining of land use and all other permits, and similar authorizations of future overall mining operations are subject to the constraints contained in such legislation. The Corporation believes that it is in compliance in all material respects with such existing laws. Changing government regulations may, however, have an adverse effect on the Corporation.

Although the Corporation continues to ensure that its exploration projects receive support from concerned municipals authorities and other stakeholders, amendments to various governmental regulations might affect its exploration projects. In particular, the exploration projects of the Corporation are located in Quebec on which some are located on Eeyou Istchee James Bay territory. The creation of the Eeyou Istchee James Bay Regional Government and recent changes to the categories I, II and III lands might affect the exploration and evaluation of the Corporation's properties.

In addition, political and social debates on the distribution of mining wealth in Quebec and elsewhere may result in increased mining taxes and royalties, which could adversely affect the Corporation's business and mining operations.

13. RISK AND UNCERTAINTIES (CONT'D)

13.10 Internal controls over financial reporting

The Corporation is responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. However, management is not required to obtain an attestation in regards of the evaluation of internal controls and did not perform such evaluation.

The Corporation has assessed the design of the internal controls over financial reporting, and during this process the Corporation identified certain weaknesses in internal controls over financial reporting which are due to the limited number of staff at the Corporation, making it unfeasible to achieve complete segregation of incompatible duties. Corporation's management is limited in its ability to put internal controls in place at reasonable cost. This could increase risks related to quality, reliability, transparency and deadlines for interim, annual and others reports in respect with securities laws.

These weaknesses in the Corporation's internal controls over financial reporting may result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the Board of Directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

13.11 Territories and First Nations claims

Although the Corporation has the rights to explore its mining properties, it must consider the potential claims of the First Nations communities surrounding its properties. The Corporation strives to maintain good relations with the First Nations communities.

13.12 Taxes

The refundable credit for resources and credit on duties refundable for losses (the "tax credits") for the current period and prior periods are measured at the amount the Corporation expects to recover from the tax authorities as at the closing date. However, uncertainties remain as to the interpretation of tax rules and the amount and timing of the recovery of such tax credits. Accordingly, there may be a significant difference between the recorded amount of tax credits receivable and the actual amount of tax credits received following the tax authorities' review of issues whose interpretation is uncertain. However, given the uncertainty inherent in obtaining the approval of the relevant tax authorities, the amount of tax credits that will actually be recovered or the amount to be repaid, as well as the timing of such recovery or repayment, could differ materially from the accounting estimates, which would affect the Corporation's financial position and cash flows.

13.13 Litigation

All industries, including mining, are subject to legal claims that can be with and without merit. Defense and settlement costs can be substantial, even for claims that have no merit. Potential litigation may arise with respect to a property in which the Corporation is in the process of evaluating as a strategic investment and/or holds an interest directly or indirectly in an exploring, developing and/or operating mineral property now or in the future.

Geomega might not generally have any influence on the litigation nor will it necessarily have access to data. In case where that litigation results in the cessation or reduction of production from a property (whether temporary or permanent), it could have a material and adverse effect on the Corporation's results of operations and financial condition. The litigation process is inherently uncertain, so there can be no assurance that the resolution of a legal proceeding will not have a material adverse effect on our future cash flow, results of operations or financial condition.

13. RISK AND UNCERTAINTIES (CONT'D)

13.14 Dependence on key personnel

The development of the Corporation's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Corporation faces competition for personnel from other mining companies.

13.15 Metal Prices

Even if the Corporation's exploration programs are successful, factors beyond the control of the Corporation may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Corporation's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

13.16 Competition

The mining industry is intensely competitive in all its phases. The Corporation competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

13.17 Conflicts of interest

Certain directors of the Corporation are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Corporation are required by law to act honestly and in good faith to the best interests of the Corporation, and to disclose any interest which they may have in any project or opportunity of the Corporation. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

14. CRITICAL ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS AND ERRORS

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Corporation's critical accounting policies, estimates, judgments, and assumptions in the consolidated financial statements as at May 31, 2020, Notes 1, 2, 3 and 4.

The accounting policies, methods of computation and presentation applied in the consolidated financial statements are consistent with those of the previous financial year ended May 31, 2019, except for the new policy described below.

14.1 IFRS 16 *Leases*

The Corporation adopted IFRS 16 on June 1, 2019 and determined that the adoption had no impact on its consolidated financial statements at that time.

14. CRITICAL ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS AND ERRORS (CONT'D)

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 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 earnings.

14.2 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.

14.3 Lease obligations

At the commencement date of the lease, the Corporation recognizes a lease obligation 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 lease obligation is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease obligation 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.

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.

14.4 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.

14. CRITICAL ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS AND ERRORS (CONT'D)

14.5 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.

15. SUBSEQUENT EVENTS

On June 3, 2020, the Corporation welcomed a new Director to its Board of Directors and granted him 250,000 stock options at a price of $0.155 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.

16. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Corporation's financial statements are the responsibility of the Corporation's management. The financial statements were prepared by the Corporation's management in accordance with IFRS. The financial statements include certain amounts based on the use of estimates, judgements and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

The financial statements have been approved by the Board of Directors based on the estimates, judgements and assumptions as presented by management and the certifications by the CEO and CFO.

August 13, 2020

(s) Kiril Mugerman	*(s) Mathieu Bourdeau*
Kiril Mugerman	Mathieu Bourdeau
President and CEO	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
Matt Silvestro
Kiril Mugerman

Notes:
1) Member of the Audit Committee

Head office

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Lawyers

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H3B 4Y1

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Geomega Resources Inc.

Consolidated Financial Statements

For the years ended May 31, 2020 and 2019

Independent auditor's report

To the Shareholders of Geomega Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Geomega Resources Inc. and its subsidiary (together, the Company) as at May 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at May 31, 2020 and 2019;
- the consolidated statements of (loss) income and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

Material uncertainty related to going concern

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

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Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
August 13, 2020

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

Geomega Resources Inc.

Consolidated Statements of Financial Position

For the years ended May 31, 2020 and 2019
(in Canadian Dollars)

	Note	As at May 31, 2020	As at May 31, 2019
		$	$
Assets			
Current assets			
Cash		485,780	33,438
Accounts receivable	5	130,144	40,586
Tax credits and government grants receivable	6	100,061	21,717
Prepaid expenses and others		94,724	17,463
Inventories		7,188	-
Current assets		817,897	113,204
Non-current assets			
Investment in an associate	7	1,508,159	2,039,287
Property and equipment	8	29,132	120,393
Right-of-use asset	9	772,832	-
Non-current assets		2,310,123	2,159,680
Total assets		**3,128,020**	**2,272,884**
Liabilities			
Current liabilities			
Trade and other payables		299,413	336,323
Liability related to share exchange rights	17	-	500,000
Convertible debentures	10	-	106,661
Current portion of the lease obligations	11	58,014	-
Current liabilities		357,427	942,984
Non-current liabilities			
Lease obligations	11	737,775	-
Long-term debt	12	53,724	-
Non-current liabilities		791,499	-
Total liabilities		**1,148,926**	**942,984**
Equity			
Share capital	10,13	31,132,420	29,241,753
Equity component of convertible debentures	10	-	3,300
Warrants	14	570,300	267,024
Broker options	15	5,742	-
Stock options	16	501,688	343,326
Contributed surplus		4,385,820	4,279,526
Deficit		(34,616,876)	(32,769,526)
Equity attributable to Geomega Resources Inc.'s shareholders		1,979,094	1,365,403
Non-controlling interests	17	-	(35,503)
Total equity		**1,979,094**	**1,329,900**
Total liabilities and equity		**3,128,020**	**2,272,884**

Going concern (Note 1)
The accompanying notes are an integral part of these consolidated Financial Statements.

On behalf of the Board

(s) Kiril Mugerman
Kiril Mugerman
Director

(s) Gilles Gingras
Gilles Gingras
Director

Geomega Resources Inc.

Consolidated Statements of (Loss) Income and Comprehensive Loss

For the years ended May 31, 2020 and 2019
(in Canadian Dollars, except number of common shares)

	Note	Fiscal 2020	Fiscal 2019
		$	**$**
Operating expenses			
Salaries, employee benefits and share-based compensation	20	204,993	124,396
Directors fees	20	33,750	45,000
Loss on debt extinguishment		3,000	-
Exploration and evaluation expenses, net of tax credits	20	614,922	215,570
Professional fees		91,152	167,445
Travel, conference and investor relations		263,536	97,859
Administration		34,001	27,073
Filing fees		48,214	40,092
Rent		61,349	55,322
Depreciation of right-of-use asset	9	30,111	-
Insurance, taxes and permits		17,900	24,252
Other income		(26,588)	-
Operating loss		**(1,376,340)**	**(797,009)**
Other income (expenses)			
Interest income (expenses)		8,733	(12,953)
Finance costs		(29,590)	(15,541)
Gain on foreign exchange		43,923	-
Gain on disposal of property and equipment	8	111,523	-
Gain on buyback of share-exchange rights	17	84,750	-
Share of loss of an associate	7	(553,957)	(929,664)
Net gain on dilution of investment in an associate	7	137,029	1,176,709
Net gain on sale of investment in an associate	7	29,800	-
		(167,789)	**218,551**
Net and comprehensive loss		**(1,544,129)**	**(578,458)**
Net loss attributable to:			
Geomega Resources Inc.'s shareholders		(1,532,700)	(564,250)
Non-controlling interests		(11,429)	(14,208)
Basic and diluted earnings per share		(0.018)	(0.006)
Weighted average number of basic and diluted outstanding shares		100,779,993	90,132,798

The accompanying notes are an integral part of these consolidated Financial Statements.

Geomega Resources Inc.

Consolidated Statements of Changes in Equity

For the years ended May 31, 2020 and 2019

(in Canadian Dollars, except number of common shares)

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

The accompanying notes are an integral part of these consolidated Financial Statements.

Geomega Resources Inc.

Consolidated Statements of Changes in Equity

For the years ended May 31, 2020 and 2019

(in Canadian Dollars, except number of common shares)

	Note	Numbers 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 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		-	-	-	-	-	-	-	(1,532,700)	(1,532,700)	(11,429)	(1,544,129)
Units issued as part of private placements	13	8,800,215	1,060,720	-	162,353	5,742	-	-	-	1,228,815	-	1,228,815
Buyback of non-controlling interest in shares	17	2,516,664	415,250	-	-	-	-	-	(46,932)	368,318	46,932	415,250
Exercised stock options	16	791,250	127,594	-	-	-	(55,981)	-	-	71,613	-	71,613
Expired stock options	16	-	-	-	-	-	(79,970)	79,970	-	-	-	-
Exercised warrants	15	785,000	206,073	-	(95,573)	-	-	-	-	110,500	-	110,500
Expired warrants	15	-	-	-	(26,324)	-	-	26,324	-	-	-	-
Extended warrants	15	-	-	-	239,057	-	-	-	(239,057)	-	-	-
Repriced warrants	15	-	-	-	28,661	-	-	-	(28,661)	-	-	-
Exercised conversion rights on convertible debentures	10	916,665	113,300	(3,300)	-	-	-	-	-	110,000	-	110,000
Share-based compensation		-	-	-	-	-	294,313	-	-	294,313	-	294,313
Stock issuance costs		-	(32,270)	-	(4,898)	-	-	-	-	(37,168)	-	(37,168)
Balance at May 31, 2020		**104,559,928**	**31,132,420**	**-**	**570,300**	**5,742**	**501,688**	**4,385,820**	**(34,616,876)**	**1,979,094**	**-**	**1,979,094**

The accompanying notes are an integral part of these consolidated Financial Statements.

Geomega Resources Inc.
Consolidated Statements of Cash Flows
For the years ended May 31, 2020 and 2019
(in Canadian Dollars)

	Note	Fiscal 2020	Fiscal 2019
		$	$
Operating activities			
Net and comprehensive loss		(1,544,129)	(578,458)
Restatements for:			
Share-based compensation		186,313	95,507
Loss on debt extinguishment		3,000	-
Depreciation of property and equipment		26,143	47,654
Depreciation of right-of-use asset		30,110	-
Other operating income		(26,588)	-
Finance costs for the accretion of debentures		3,339	15,541
Finance costs for the accretion of long-term debt		312	-
Gain on disposal of property, plant and equipment		(111 523)	-
Gain on buyback of share-exchange liabilities		(84,750)	-
Share of loss of an associate	7	553,957	929,664
Net gain on dilution of investment in an associate	7	(137,029)	(1,176,709)
Net gain on sale of investment in an associate	7	(29,800)	-
Changes in non-cash working capital items	25	(184,261)	(68,277)
Cash flows used in operating activities		**(1,314,906)**	**(735,078)**
Investing activities			
Additions of property and equipment		(17,860)	(35,295)
Proceeds from disposal of property, plant and equipment		194,501	-
Proceeds from disposal of an investment in an associate	7	144,000	-
Cash flows used in investing activities		**320,641**	**(35,295)**
Financing activities			
Proceeds from issuance of units, net of issue costs		1,191,647	-
Exercise of warrants		110,500	66,000
Exercise of stock options		71,613	11,025
Increase in long-term debt	12	80,000	-
Repayments of lease liability	11	(7,153)	-
Cash flows from financing activities		**1,446,607**	**77,025**
Net change in cash		**452,342**	**(693,348)**
Cash – beginning		33,438	726,786
Cash – ending		**485,780**	**33,438**

The accompanying notes are an integral part of these consolidated Financial Statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. For the year ended May 31, 2020, the Corporation reported a net loss of $1,544,129 and has accumulated a deficit of $34,616,876 up to that date. As at May 31, 2020, the Corporation had a working capital of $460,470.

Management estimates that the working capital is not sufficient to meet the Corporation's obligations and commitments and budgeted expenditures through May 31, 2021. 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, especially in the Covid-19 pandemic outbreak context. The extent and duration of impacts that the coronavirus may have on the Corporation's operations including suppliers, service providers, employees and global financial markets is still uncertain at this time. The Corporation is monitoring developments in order to be in a position to take appropriate actions as needed. 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. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of measurement

These Financial Statements have been prepared on a historical cost basis. The Corporation has elected to present the statement of loss and comprehensive loss in a single statement.

3.2 Consolidation

The Financial Statements include the accounts of the Corporation and those of its subsidiary Innord Inc. (“Innord”), which is wholly owned by the Corporation as at May 31, 2020 (96.16% on May 31, 2019). Control refers to the power to govern an entity's financial and operating policies in order to derive benefits from its operations. All intra-group transactions, balances, income and expenses are eliminated during consolidation.

3.3 Non-controlling interests

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

3.4 Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Corporation operates (the “functional currency”). The functional and presentation currency of the Corporation and Innord is the Canadian dollar.

3.5 Investments in an associate

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

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

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

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

3.6 Exploration and evaluation expenses

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

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

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

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

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

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

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

3.7 Research and development costs

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

3.8 Property and equipment

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

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

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

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

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

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

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

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

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

3.9 IFRS 16 *Leases*

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 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 earnings.

The Corporation adopted IFRS 16 on June 1, 2019 and determined that the adoption had no impact on its consolidated financial statements at that time.

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

3.10 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.

3.11 Lease obligations

At the commencement date of the lease, the Corporation recognizes a lease obligation 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 lease obligation is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease obligation 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.

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.

3.12 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.

3.13 Tax credits and mining rights receivable

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

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

3.14 Investment tax credits

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

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

3.15 Government grants

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

3.16 Impairment of non-financial assets

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

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

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

3.17 Convertible debentures

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

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

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

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

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

3.18 Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

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

3.19 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.

3.20 Flow-through shares

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

3.21 IFRS 9, Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss ("FVTPL"), which are measured initially at fair value. The subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are offset, and the net amount is reported in the statements of financial position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

a) Financial assets

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

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

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

b) Financial liabilities

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

c) Impairment of financial assets

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

3.22 Current income and mining taxes

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

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

3.23 Deferred income and mining taxes

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

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

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

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

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

3.24 Basic and diluted income or loss per share

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

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

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

3.25 Equity

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

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

3.26 Issuance of units

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

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

3.27 Equity-settled share-based compensation

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

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

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

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

3.28 Employee benefits

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

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

3.29 Segment reporting

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

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ERRORS

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

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

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

4.1 Going concern

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

4.2 Income taxes and recoverability of potential deferred tax assets

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

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

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

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

5. ACCOUNTS RECEIVABLE

	As at May 31, 2020	As at May 31, 2019
	$	$
Receivables	37,168	10,469
Sales taxes receivable	92,961	17,330
Other accounts receivables	15	12,787
Accounts receivable	**130,144**	**40,586**

6. TAX CREDITS AND GOVERNMENT GRANTS RECEIVABLE

	As at May 31, 2020	As at May 31, 2019
	$	$
Refundable tax credits	54,996	3,995
Government grants	45,065	17,722
Current portion of tax credits receivable	**100,061**	**21,717**

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

7. INVESTMENT IN AN ASSOCIATE

Kintavar Exploration Inc. is the Corporation's only associate. Kintavar's share capital consists solely of ordinary shares, which are held directly by the Corporation. Kintavar is incorporated in Canada where its exploration and evaluation activities on bearing properties are carried out. The proportion of ownership interest is the same as the proportion of voting rights held. The investment in Kintavar is accounted for under the equity method. Its fair value as at May 31, 2020 is $1,854,286 (16,857,143 shares at $0.11, closing price on the Exchange). The Corporation categorized the fair value measurement as Level 1, as it is derived from quoted prices in active markets. As a result of the issuance of shares, exercise of warrant and stock options of Kintavar, the Corporation's interest in Kintavar was diluted from 21.77% as at May 31, 2019 to 18.48% as at May 31, 2020.

Determination of significant influence
Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policy-making processes, material transactions between the Corporation and the associate, interchange of managerial personnel, provision of essential technical information and operating involvement. Considering these factors, Geomega is considered to have significant influence over Kintavar.

	As at May 31, 2020	As at May 31, 2019
	$	$
Balance at beginning of period	2,039,287	1,792,242
Share of net and comprehensive loss	(553,957)	(929,664)
Net gain from dilution of the interest	137,029	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	**1,508,159**	**2,039,287**

8. PROPERTY AND EQUIPMENT

	Office equipment	E&E Equipment Vehicles	E&E Equipment Equipment and Camp	E&E Equipment Warehouse	Total
	$	$	$	$	$
Fiscal 2020					
Opening net book value	-	3,800	34,072	82,521	120,393
Additions	-	-	17,860	-	17,860
Depreciation	-	(1,900)	(22,800)	(1,443)	(26,143)
Disposal	-	(1,900)	-	(81,078)	(82,978)
Closing net book value	-	-	29,132	-	29,132
As at May 31, 2020					
Cost	**14,984**	**-**	**670,178**	**-**	**685,162**
Accumulated depreciation	**(14,984)**	**-**	**(641,046)**	**-**	**(656,030)**
Closing net book value	**-**	**-**	**29,132**	**-**	**29,132**

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

Depreciation of property and equipment related to E&E properties is being recorded within E&E expenses. Depreciation of property and equipment other than related to E&E is recorded on the statement of (loss) income under depreciation of property and equipment. An amount of $26,143 ($47,654 – in Fiscal 2019) was expensed as E&E expenses during the year ended May 31, 2020.

9. RIGHT-OF-USE ASSET

	Industrial building
	$
Fiscal 2020	
Opening net book value	-
Additions	802,942
Depreciation	(30,110)
Closing net book value	772,832
As at May 31, 2020	
Cost	**802,942**
Accumulated Depreciation	**(30,110)**
Closing net book value	**772,832**

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.

10. CONVERTIBLE DEBENTURES

	As at May 31, 2020	As at 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. All convertible debentures were converted in shares during fiscal 2020.

On July 31 and August 10, 2019, debenture holders converted debentures of $110,000 into common shares at a deemed price of $0.12 per share pursuant to the terms of the convertible debenture. The Corporation issued 203,333 commons shares on August 2, 2019 and 708,332 common shares on August 12, 2019.

11. LEASE LIABILITY

	Fiscal 2020
	$
Balance, opening	-
New contract signed during the period	802,942
Repayments of lease liability	(7,153)
Balance	795,789
Balance, current	(58,014)
Balance, non-current	**737,775**

11. LEASE LIABILITY (CONT'D)

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 monthly payments used to calculate the lease obligation include the base rent for the area of premises of 14,880 square foot.

12. LONG-TERM DEBT

	As at May 31, 2020	As at May 31, 2019
	$	$
Canada Emergency Business Account ("CEBA") received in the context of the COVID-19 pandemic outbreak. The loan bears no interest and capital is payable in full on or before December 31, 2022.	53,724	-
Long-term debt - non-current	**53,724**	**-**

In the context of the COVID-19 pandemic outbreak, the Corporation and its wholly owned subsidiary Innord both applied for and received $40,000 under the Canada Emergency Business Account ("CEBA") program which is an interest-free loan offered to cover operating costs. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of $10,000. On December 31, 2022, the Corporation has the option to extend the loan for 3 years and it will bear a 5% interest rate. To estimate the fair value, the debt component was estimated first at $53,412 ($26,706 for each company), considering the forgiveness and interest free aspects. A 7% effective rate was used which corresponds to a rate that the Corporation would have obtained for a similar investment. The $26,588 residual value was attributed to a governmental subsidy that is presented in the statement of loss in other income.

13. SHARE CAPITAL

13.1 Authorized Share Capital

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

13.2 Private placement

On July 2 and 10, 2019, the Corporation closed a private placement in two tranches consisting of 4,750,215 units at a price of $0.14 CAD and 4,050,000 at a price of $0.105 USD for total gross proceeds of $1,223,073. Each unit is composed 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 $1,060,720 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.

13. SHARE CAPITAL (CONT'D)

13.3 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 17) and the non-controlling interests of $46,932 were reclassified in the Corporation's deficit.

14. WARRANTS

Changes in the Corporation's warrants were as follows:

	Year Ended May 31, 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 13)	4,400,108	0.14	-	-
Exercised	(785,000)	0.14	(550,000)	0.12
Expired	(625,000)	0.12	(4,090,638)	0.23
Balance, end	**9,368,886**	**0.17**	**6,378,778**	**0.16**

Warrants outstanding as at May 31, 2020 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
577,778	0.23	June 19, 2020
3,265,197	0.20	July 2, 2021
1,134,911	0.20	July 10, 2021
825,000	0.15	May 2, 2022
2,300,000	0.15	May 14, 2022
1,266,000	0.15	May 18, 2022
9,368,886		

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. The estimated fair value of the warrant revaluation is $28,661 which has been recorded under warrants and the offsetting entry is recorded in the deficit. This fair value was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follows: no expected dividend yield, 165.50% expected volatility, 0.16% risk-free interest rate and 0.18 years warrant expected life.

On April 15, 2020, the 825,000 warrants due to expire on May 2, 2020 have been extended by two years. The estimated fair value of the warrant extension is $53,625 which has been recorded under warrants and the offsetting entry is recorded in the deficit. This fair value was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follows for the two periods respectively: no expected dividend yield, 84.33% and 9.70% expected volatility, 0.33% and 0.16% risk-free interest rate and 2.05 and 0.05 years warrant expected life.

14. WARRANTS (CONT'D)

On April 15, 2020, the 2,300,000 warrants due to expire on May 14, 2020 have been extended by two years. The estimated fair value of the warrant extension is $119,600 which has been recorded under warrants and the offsetting entry is recorded in the deficit. This fair value was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follows for the two periods respectively: no expected dividend yield, 84.13% and 93.98% expected volatility, 0.33% and 0.16% risk-free interest rate and 2.08 and 0.08 years warrant expected life.

Also on April 15, 2020, the 1,266,000 warrants due to expire on May 18, 2020 have been extended by two years. The estimated fair value of the warrant extension is $65,832 which has been recorded under warrants and the offsetting entry is recorded in the deficit. This fair value was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follows for the two periods respectively: no expected dividend yield, 83.73% and 87.96% expected volatility, 0.33% and 0.16% risk-free interest rate and 2.09 and 0.09 years warrant expected life.

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

15. BROKER OPTIONS

Changes in the Corporation's warrants are as follows:

	Year ended May 31, 2020		Year ended May 31, 2019	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
		$		**$**
Balance, opening	-	-	-	-
Issued (note 13)	120,800	0.20	-	-
Balance, end	**120,800**	**0.20**	-	-

The number of outstanding warrants as at May 31, 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		

16. STOCK OPTIONS

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

	Fiscal 2020		Fiscal 2019	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
		$		$
Balance, opening	6,565,000	0.10	4,530,000	0.11
Granted	4,475,000	0.16	3,050,000	0.09
Expired	(577,500)	0.20	(470,000)	0.18
Exercised	(791,250)	0.09	(127,500)	0.09
Forfeited	(422,500)	0.13	(417,500)	0.09
Balance, end	**9,248,750**	**0.12**	**6,565,000**	**0.10**
Balance, end, exercisable	5,723,750	0.11	3,760,000	0.10

The number of options outstanding as of May 31, 2020 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
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	300,000	0.08	September 14, 2023
925,000	693,750	0.085	November 20, 2023
100,000	50,000	0.08	December 10, 2023
400,000	200,000	0.09	March 13, 2024
250,000	62,500	0.175	July 29, 2024
1,575,000	393,750	0.155	October 23, 2024
200,000	50,000	0.155	November 28, 2024
150,000	-	0.185	January 19, 2025
75,000	-	0.20	February 13, 2025
1,775,000	1,125,000	0.165	April 16, 2025
450,000	-	0.165	April 21,2025
9,248,750	**5,723,750**		

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 April 22, 2020, the Corporation granted a consultant 450,000 stock options, priced at $0.165, 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 0.42%, expected volatility of 83%, no dividend per share and expected duration of 3.75 years options.

16. STOCK OPTIONS (CONT'D)

On April 17, 2020, the Corporation granted to its employees and consultants 650,000 stock options, priced at $0.165, 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 0.43%, expected volatility of 83%, no dividend per share and expected duration of 3.75 years options.

Also on April 17, 2020, the Corporation granted to its directors and consultants 1,125,000 stock options, priced at $0.165, 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 0.43%, expected volatility of 83%, no dividend per share and expected duration of 3.75 years options. Since these options were granted following the renunciation of director's fees and related liability by all directors, these options vested immediately on the day of the grant.

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.

On November 28, 2019, the Corporation granted a consultant 200,000 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 1.53%, 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 based on the following assumptions: risk-free interest rate of 1.56%, expected volatility of 82%, no dividend per share and expected duration of 3.75 years options.

On July 29, 2019, the Corporation granted a consultant 250,000 options, exercisable at $0.175, 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 81%, no dividend per share and expected duration of 3.75 years options.

All options granted bear the same conditions unless mentioned above. 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.

17. 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 owned 96.16% of Innord and recorded a $500,000 liability related to share exchange rights corresponding to the option where the investors would exchange their shares in Innord.

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 $415,250, payable by the issuance of a total of 2,516,664 shares of Geomega, resulting in a gain of $84,750 to the consolidated statements of loss and comprehensive loss.

	Fiscal 2020	Fiscal 2019
	$	**$**
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**

18. CAPITAL MANAGEMENT

The Corporation's objective in managing capital is to safeguard its ability to continue its operations as well as its E&E programs. The Corporation manages its capital structure and makes restatements to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, secure new debt and acquire or sell mining rights to improve its financial performance and flexibility. In Fiscal 2020, the Corporation issued common shares (note 13), sold a part of its investment in Kintavar and secured a long-term debt for $1,72M in order to finance the construction of its demonstration plant. The loan will be interest-free, for a term of 8 years, with annual repayment of principal beginning 24 months following the first drawdown, which has not yet occurred. The Corporation's capital is composed of equity and balances and changes in equity are presented in the statement of changes in shareholders’ equity.

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

19. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period, considering the extension of warrants, divided by the weighted average number of shares outstanding during the period. In calculating the diluted loss per share, potential common shares such as stock options, broker options, warrants and share exchange rights have not been included, as they would have the effect of decreasing the loss per share.

20. REMUNERATION

	Fiscal 2020	Fiscal 2019
	$	$
Wages, salaries	445,926	391,239
Benefits	69,550	33,188
Share-based compensation	113,064	58,696
	628,540	**483,123**
Salaries and benefits recorded in E&E expenses	(339,991)	(294,385)
Share-based payments recorded in E&E expenses	(46,806)	(19,342)
Directors fees	(33,750)	(45,000)
Loss on debt extinguishment	(3,000)	-
Salaries, employee benefitsand share-based compensation presented on the statement of loss	**204,993**	**124,396**

21. EXPLORATION AND EVALUATION EXPENSES

Montviel	**Fiscal 2020**	**Fiscal 2019**
	$	$
Acquisition and maintenance	**813**	**10,337**
Exploration		
Salaries and benefits	15,143	437
Share-based compensation	13,644	7,440
Geology	611	1,272
Transport and lodging	70,659	6,883
Depreciation of property and equipment	3,343	12,151
Taxes, permits and insurances	3,182	5,595
Billing - rental	(21,117)	(48,621)
Total exploration	**85,465**	**(14,843)**
Evaluation		
Salaries and share-based compensation – Separation process	360,009	305,851
Separation process	72,721	101,692
Depreciation of property and equipment	22,800	35,502
Engineering	494,449	-
Total Evaluation	**949,979**	**443,045**
Total gross E&E expenses	**1,036,257**	**438,539**
Government grants	(355,554)	(176,587)
Net tax credits	(65,781)	(46,382)
Net E&E expenses - Montviel	**614,922**	**215,570**

21.1 Montviel property (Rare Earth Elements and Niobium)

The Corporation owns 100% of the Montviel property, located approximately 100 km north of Lebel-sur-Quévillon and 45 km west of the Cree First Nation of Waswanipi. The Montviel property comprises 161 mining claims totalling 8,942 hectares as at May 31, 2020.

21. EXPLORATION AND EVALUATION EXPENSES (CONT'D)

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

21.2 Buckingham property (Graphite)

The Corporation holds a 0.75% net output returns royalty on the Buckingham property (graphite), sold to Saint Jean Carbon Inc. in Fiscal 2017.

21.3 Patent ownership and royalty agreement

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

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

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

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

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

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

22. INCOME TAXES

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

	Fiscal 2020	Fiscal 2019
	$	$
Deferred income tax recovery		
Amortization of flow-through share liability	-	-
Total recovery of deferred income taxes	**-**	**-**

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

	Fiscal 2020	Fiscal 2019
	$	$
Loss before income taxes	(1,544,129)	(578,458)
Income taxes calculated using the combined federal and provincial income tax rate in Canada of 26.5% (26.6% in Fiscal 2019)	(409,194)	(153,870)
Increase (decrease) in income taxes resulting from the following:		
Non-deductible items	149,673	(3,659)
Rate change	-	339
Restatement from prior year	2,127	789
Unrecognized temporary differences	257,393	156,401
Deferred income tax recovery	**-**	**-**

The ability to realize the tax benefits is dependent upon a few factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, some deferred tax assets have not been recognized; these deferred tax assets not recognized amount to $6,936,752 ($6,669,695 in 2019).

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

	As at May 31, 2020	As at May 31, 2019
	$	$
Deferred income tax assets:		
Intangible assets	3,941	4,237
Property and equipment	92,219	137,821
Deductible share issue expenses	10,100	6,759
E&E assets	3,064,831	3,054,081
Lease liability	210,884	-
Operating losses carried forward	3,776,570	3,467,682
Total deferred income tax assets	7,158,545	6,670,580
Deferred income tax liabilities		
Convertible debentures	-	(885)
Right-of-use asset	(204,801)	-
R&D grant and credit receivable	(15,246)	-
Long-term debt	(1,746)	-
Total deferred income tax assets non recognized	**6,936,752**	**6,669,695**

22. INCOME TAXES (CONT'D)

As at May 31, 2020, expiration dates of losses available to reduce future years' income for tax purposes are:

	Federal	Provincial
	$	$
2040	1,183,234	1,142,047
2039	749,043	749,043
2038	648,408	624,217
2037	1,062,368	1,020,859
2036	1,379,945	1,379,946
2035	2,026,827	2,026,827
2034	1,483,287	1,483,287
2033	2,398,375	2,444,550
2032	1,943,591	1,943,591
2031	563,968	563,968
2030	16,391	16,391
2029	1,718	1,718
Total	**13,457,155**	**13,396,444**

23. FINANCIAL INSTRUMENTS AND RISKS

Objectives and policies concerning financial risk management

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

23.1 Interest rate risk

When the Corporation has cash balances, the current policy is to invest excess cash in certificates of deposit or high interest savings accounts of major Canadian chartered banks. As of May 31, 2020, and 2019, the Corporation had no investment. The other financial assets and liabilities of the Corporation do not bear interest. The Corporation does not use financial derivatives to decrease its exposure to interest risk. A variation of plus or minus 1% change in the rates would not have a material impact on the assets and liabilities and net loss of the Corporation.

23.2 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they become due. The Corporation's ability to continue as a going concern is dependent on management's ability to raise the funds required through future debt or equity financings, asset sales or exploration option agreements, off-take or forward sales agreements, the granting of royalties or a combination thereof. The Corporation's liquidity and operating results may be adversely affected by delays in receiving the tax credits receivable from the Quebec government (or securing financing against the tax credit) and if the Corporation's access to the capital market or other alternative forms of financing is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. The Corporation has historically generated cash flow primarily from its financing activities. Refer to note 4.1 for management assessment of going concern.

23. FINANCIAL INSTRUMENTS AND RISKS (CONT'D)

As at May 31, 2020, the Corporation is committed to future minimum payments of principal and interest on the debt, as follows:

	Up to 1 year	1 to 5 years	More than 5 years	Total
	$	$	$	$
Trade and other payables	299,412	-	-	299,413
Lease Liability – Current contractual maturities[1]	159,049	596,433	-	755,482
Lease Liability – Future renewal options[1]	-	-	808,498	808,498
Long-term debt (note12)	-	60,000	-	60,000
	458,461	**656,433**	**808,498**	**1,923,393**

[1] The amount presented as a liability in the consolidated statement of financial position is based on an expected duration of 10 years. Since the Corporation can decide to not renew the lease after 5 years, the amount presented in the above table was split between the current contractual maturity and the future five-year renewal. Also, the amounts presented in the above table include both the fixed and variable lease payments while the amount presented as liability in the statement of financial position only includes the fixed payments.

23.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Generally, the maximum credit risk is equivalent to the carrying value of financial assets exposed to credit risk, less any impairment. The Corporation is subject to credit risk through cash and accounts receivables. The Corporation reduces its credit risk by maintaining its cash in Canadian chartered bank accounts from which management believes the risk of loss is minimal. In addition, the most significant accounts receivables are with Kintavar, held at 18.48% by the Corporation.

23.4 Foreign exchange risk

The Corporation is exposed to foreign exchange risk arising from currency volatility, primarily with respect to the US dollar. The Corporation holds balances in cash denominated in U.S. dollars and is therefore exposed to gains or losses on foreign exchange.

As at May 31, 2020, the balance in U.S. dollars held by the Corporation was as follows:

	May 31, 2020
	$
Cash	198,194
Trade and other payables	(4,600)
Net exposure, in US dollars	193,594
Equivalent in Canadian dollars	**286,579**

Based on the balance as at May 31, 2020, a 5% fluctuation in the exchange rates on that date (with all other variables being constant) would have resulted in a variation of net earnings of $14,329 in 2020.

23. FINANCIAL INSTRUMENTS AND RISKS (CONT'D)

23.5 Fair value of financial instruments

The carrying value of cash, accounts receivables and trade and other payables are considered to be a reasonable approximation of their fair value because of the short-term maturity and contractual terms of these instruments. For the long-term debt the carrying value is a reasonable approximation of fair value given it has been obtained close to the year end.

24. RELATED PARTY TRANSACTIONS

24.1 Transactions with related parties

In the normal course of business:

- A firm in which an officer is a partner charged professional fees amounting to $14,300 ($30,523 in Fiscal 2019).
- As at May 31, 2020, the balance due to related parties amounted to nil ($6,666 as at May 31, 2019).

Out of the normal course of business:

- Directors and officers of the Corporation participated in a private placement in July 2019. 450,250 shares of the Corporation were bought at a price of $0.14, for a total value of $63,035.

24.2 Billing according to agreement with Kintavar and its subsidiary

	Fiscal 2020	Fiscal 2019
	$	$
Exploration and evaluation, net of tax credits	42,435	49,472
Sale of equipment	19,501	-
Travel, conventions and investor relations	10,494	23,009
Administration	-	118
Rent	10,900	12,975
Total	**83,330**	**85,574**

As of May 31, 2020, the amount receivable from Kintavar was $37,394 ($23,241 as of May 31, 2019).

25. ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED CASH FLOW STATEMENT

Change in non-cash working capital items

	2020	2019
	$	$
Accounts receivable	(89,558)	(15,430)
Tax credits and government grants receivable	(78,344)	21,973
Prepaid and other expenses	(77,261)	7,035
Inventories	(7,188)	-
Trade and other payables	68,090	3,144
Tax credits payable	-	(84,999)
	(184,261)	**(68,277)**

26. SUBSEQUENT EVENTS

On June 3, 2020, the Corporation welcomed a new Director to its Board of Directors and granted him 250,000 stock options at a price of $0.155 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.

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