Geomega Resources Inc.

Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

Independent Auditor's Report

To the Shareholders of Geomega Resources Inc.:

Opinion

We have audited the consolidated financial statements of Geomega Resources Inc. and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as at May 31, 2022, and the consolidated statements of (loss) income and other comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2022, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statement for the year ended May 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on September 27, 2021.

Other Information

Management is responsible for the other information. The other information comprises 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 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. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 International Financial Reporting Standards, 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 Anand Beejan..

MNP LLP

Ottawa, Ontario | Chartered Professional Accountants

September 15, 2022 | Licensed Public Accountants

CPA Auditor, public accountancy permit no. A126822

Geomega Resources Inc.

Consolidated Statements of Financial Position

For the years ended May 31, 2022 and 2021

(in Canadian Dollars)

	Note	As at May 31, 2022	As at May 31, 2021
		$	$
Assets			
Current assets			
Cash and cash equivalents	5	5,084,902	3,389,195
Accounts receivable	6	110,763	74,595
Tax credits and government grants receivable	7	66,616	98,722
Work in progress	3.28	71,868	-
Prepaid expenses and others		81,185	115,689
Inventories		11,587	11,587
Current assets		5,426,921	3,689,788
Non-current assets			
Investment in an associate	8	1,372,048	1,342,522
Property and equipment	9	100,532	27,590
Right-of-use asset	10	612,243	692,538
Non-current assets		2,084,823	2,062,650
Total assets		**7,511,744**	**5,752,438**
Liabilities			
Current liabilities			
Trade and other payables		216,953	220,018
Deferred grants	3.16	103,044	-
Current portion of the lease obligations	11	66,371	61,896
Current liabilities		386,368	281,914
Non-current liabilities			
Lease obligations	11	609,799	677,891
Long-term debt	12	71,631	71,629
Non-current liabilities		681,430	749,520
Total liabilities		**1,067,798**	**1,031,434**
Equity			
Share capital	13	38,435,625	35,437,309
Warrants	14	-	197,268
Broker warrants	15	27,477	43,979
Stock options	16	1,069,608	688,438
Contributed surplus		4,424,649	4,424,649
Deficit		(37,513,413)	(36,070,639)
Total equity		**6,443,946**	**4,721,004**
Total liabilities and equity		**7,511,744**	**5,752,438**

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

On behalf of the Board

(s) Kiril Mugerman	*(s) Gilles Gingras*
Kiril Mugerman	Gilles Gingras
Director	Director

Geomega Resources Inc.

Consolidated Statements of (Loss) Income and Comprehensive Loss

For the years ended May 31, 2022 and 2021

(in Canadian Dollars, except number of common shares)

	Note	Fiscal 2022	Fiscal 2021
		$	**$**
Research fees		131,869	-
Revenues		**131,869**	**-**
Operating expenses			
Exploration and evaluation expenses, net of tax credits	20	622,847	354,217
Salaries, employee benefits and share-based compensation	19	325,996	214,611
Travel, conferences and investor relations		338,743	313,407
Professional fees		79,154	98,184
Administration		51,143	39,829
Filing fees		76,514	40,169
Rent		27,016	88,364
Depreciation of right-of-use asset	10	80,295	80,294
Insurance, taxes and permits		18,074	16,233
Other income		(25,085)	(26,380)
Operating loss		**(1,462,828)**	**(1,218,928)**
Other income (expenses)			
Investment income		17,651	5,985
Finance costs		(53,097)	(62,115)
Gain (loss) on foreign exchange		25,974	(46,179)
Gain on disposal of property and equipment	9	-	50,000
Share of loss of an associate	8	(233,947)	(154,651)
Net gain (loss) on dilution of investment in an associate	8	263,473	(10,986)
Loss on shares issued in settlement of a debt		-	(16,889)
		20,054	**(234,835)**
Net and comprehensive loss		**(1,442,774)**	**(1,453,763)**
Basic and diluted loss per share		(0.011)	(0.013)
Weighted average number of basic and diluted outstanding shares		131,299,672	115,761,483

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, 2022 and 2021

(in Canadian Dollars, except number of common shares)

	Note	Number of shares outstanding	Share Capital	Warrants	Broker warrants	Stock-options	Contributed Surplus	Deficit	Total Equity
			$	$	$	$	$	$	$
Balance at May 31, 2021		**128,224,536**	**35,437,309**	**197,268**	**43,979**	**688,438**	**4,424,649**	**(36,070,639)**	**4,721,004**
Net and comprehensive loss		-	-	-	-	-	-	(1,442,774)	(1,442,774)
Units issued as part of a private placement, net of issue costs	13	5,762,722	1,404,666	-	-	-	-	-	1,404,666
Exercised stock options		1,330,000	220,180	-	-	(91,405)	-	-	128,775
Exercised warrants		5,791,375	1,301,668	(197,268)	-	-	-	-	1,104,400
Exercised broker warrants		260,888	71,802	-	(16,502)	-	-	-	55,300
Shared-based compensation		-	-	-	-	472,575	-	-	472,575
Balance at Mai 31, 2022		**141,369,521**	**38,435,625**	**-**	**27,477**	**1,069,608**	**4,424,649**	**(37,513,413)**	**6,443,946**

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, 2022 and 2021

(in Canadian Dollars, except number of common shares)

	Note	Numbers of shares outstanding	Share Capital	Warrants	Broker warrants	Stock-options	Contributed Surplus	Deficit	Total equity
			$	$	$	$	$	$	$
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**
Net and comprehensive loss		-	-	-	-	-	-	(1,453,763)	(1,453,763)
Units issued as part of a private placement, net of issue costs		14,709,093	2,344,769	-	39,053	-	-	-	2,383,822
Shares issued in settlement of debt, net of issue costs		140,754	64,010	-	-	-	-	-	64,010
Exercised stock options		2,271,250	369,730	-	-	(142,249)	-	-	227,481
Exercised warrants		6,527,511	1,522,364	(334,203)	-	-	-	-	1,188,161
Exercised broker warrants		16,000	4,016	-	(816)	-	-	-	3,200
Expired warrants		-	-	(38,829)	-	-	38,829	-	-
Shared-based compensation		-	-	-	-	328,999	-	-	328,999
Balance at May 31, 2021		**128,224,536**	**35,437,309**	**197,268**	**43,979**	**688,438**	**4,424,649**	**(36,070,639)**	**4,721,004**

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, 2022 and 2021

(in Canadian Dollars)

	Note	Fiscal 2022	Fiscal 2021
		$	**$**
Operating activities			
Net and comprehensive loss		(1,442,774)	(1,453,763)
Adjustments for:			
Share-based compensation		472,575	328,999
Depreciation of property and equipment		32,065	18,701
Depreciation of right-of-use asset		80,295	80,294
Other income		(5,085)	(26,380)
Finance costs for the accretion of long-term debt		5,087	4,285
Gain on disposal of property, and equipment		-	(50,000)
Loss on shares issued in settlement of a debt		-	16 889
Share of loss of an associate	8	233,947	154,651
Net loss (gain) on dilution of investment in an associate	8	(263,473)	10,986
Changes in non-cash working capital items	24	58,553	(13)
Cash flows used in operating activities		**(828,810)**	**(915,351)**
Investing activities			
Additions of property and equipment	9	(105,007)	(17,159)
Proceeds from disposal of property, and equipment		-	50,000
Cash flows provided by (used in) investing activities		**(105,007)**	**32,841**
Financing activities			
Proceeds from issuance of units, net of issue costs		1,404,666	2,383,822
Exercise of warrants		1,104,400	1,188,161
Exercise of stock options		128,775	227,481
Exercise of broker warrants		55,300	2,463
Increase in long-term debt	12	-	40,000
Repayments of lease liability	11	(63,617)	(56,002)
Cash flows from financing activities		**2,629,524**	**3,785,925**
Net change in cash		**1,695,707**	**2,903,415**
Cash and cash equivalents – beginning		3,389,195	485,780
Cash and cash equivalents – ending		**5,084,902**	**3,389,195**

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. Through its private and wholly owned subsidiary Innord, the Corporation is developing innovative technologies for extraction and separation of rare earth elements and other critical and strategic metals from its mining properties and other mining and industrial waste, in an environmentally sustainable way. 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 consolidated Financial Statements (the "Financial Statements") were approved by the Corporation's Board of Directors on September 13, 2022.

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, 2022, the Corporation reported a net loss of $1,442,774 and has accumulated a deficit of $37,513,413 up to that date. As at May 31, 2022, the Corporation had a working capital of $5,040,553.

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.

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 New accounting standards

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Corporation. Management anticipates that all of the pronouncements will be adopted in the Corporation's accounting policy for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's financial statements.

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

In May 2020, the IASB issued a package of narrow-scope amendments to three standards (IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets") as well as the IASB's Annual Improvements to IFRS Standards 2018 - 2020. These amendments to existing IFRS standards are to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. These amendments are effective for annual periods beginning on or after January 1, 2022. The Company is assessing the potential impact of these narrow-scope amendments.

3.3 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. 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.

3.4 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 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term liquid investments with original maturities of three months or less or cashable at any time without penalties.

3.6 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.

3.7 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.

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

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.

3.8 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".

3.9 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.

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

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

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
Equipment related to E&E activities	2 to 5 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.

3.10 Leases

The Corporation has entered into different lease agreements. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases with a term in excess of twelve months and for other than low-value assets are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Corporation.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in statement of loss.

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

3.12 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.

3.13 Inventories

The Inventories 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. Inventories 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.

3.14 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.

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

3.16 Government grants

The Corporation 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).

Grants are recognized in proportion to the total costs expected to the contract. Any payment received before the associated work is performed are recorded as deferred grants in the statement of financial position.

3.17 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.

3.18 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 that 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.

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

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.

3.19 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 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.

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

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.

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 and accounts receivable are classified in this category.

b) Financial liabilities

At amortized cost:
Trade and other payables, long-term debt and lease obligations 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Deferred 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.

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 warrants 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 warrants 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.

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

Common shares, stock options, warrants and broker warrants are classified as equity. Incremental costs directly attributable to the issuance of shares, stock options, warrants and broker warrants 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 using the residual value method.

Share and warrant issue expenses are accounted for in the year in which they are incurred and are recorded as a deduction to equity in the deficit in the year in which the shares are issued.

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 warrants) 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 warrants 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 Revenue recognition

Revenues correspond to research fees for collaborative research work with third parties in the valuation of mining and industrial residues as the critical and strategic metals sectors.

Fees received are recognized in the statement of comprehensive loss as the work is performed, all obligations under the contract are satisfied and the corresponding consideration is received or there is reasonable assurance of collection.

Revenues are measured at the fair value of the consideration received or to be received. Revenue is recognized in proportion to the total costs expected to the contract. Any payment received from customers before the work is performed are recorded as deferred revenues in the statement of financial position while any amounts recognized in excess of amounts invoiced are recognized as a work in progress.

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

3.29 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.

3.30 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:

4.1 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 Significant influence in Associate

The Corporation has used significant judgment in assessing the classification of its investment in Kintavar Exploration Inc. "Kintavar". As at May 31, 2022, the Company has an ownership percentage of 13.66% and has determined that it has significant influence over Kintavar as a result of other qualitative factors that include:

1) Ownership interest of 13.66% of voting shares
2) Representation on the board of Directors
3) Interchange of managerial personnel
4) Intercompany transactions between the companies

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

4.3 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.

4.4 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. CASH AND CASH EQUIVALENTS

Cash and cash equivalent include the following investments:

As at May 31, 2022:

- Short term deposits totaling $3,549,750 with rates from 1.25% to 1.80% and expiring dates ranging from March 31, 2023 to May 5, 2023. Interest and principal are cashable at any time without penalties.
- Investment of $341,149 USD ($431,339 CAD) in a high interest exchange trading fund. Interest and principal are cashable at any time.

5. CASH AND CASH EQUIVALENTS (CONT'D)

As at May 31, 2021:

- Short term deposits totaling $850,000 with rates from 0.45% to 0.90% and expiring dates ranging from July 22, 2021 to January 17, 2022. Interest and principal are cashable at any time without penalties.
- Investment of $340,195 USD ($410 911 CAD) in a high interest trading account at the rate of 0.20%. Interest and principal are cashable at any time.
- Investment of $1,753,174 in a high interest exchange trading fund.

The Corporation also has access to a credit facility of $3,046,044. The loan is 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 as of May 31, 2022.

6. ACCOUNTS RECEIVABLE

	As at May 31, 2022	As at May 31, 2021
	$	$
Trade receivables	32,588	27,699
Sales taxes receivable	68,502	44,312
Other accounts receivables	9,673	2,584
Accounts receivable	**110,763**	**74,595**

7. TAX CREDITS AND GOVERNMENT GRANTS RECEIVABLE

	As at May 31, 2022	As at May 31, 2021
	$	$
Refundable tax credits	1,304	26,806
Government grants	58,116	65,734
Other government credit	7,196	6,182
Tax credits and government grants receivable	**66,616**	**98,722**

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.

8. INVESTMENT IN AN ASSOCIATE

Kintavar Exploration Inc. ("Kintavar") 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, 2022 is $1,432,857 (16,857,143 shares at $0.085, closing price on the Exchange). Its fair value was $2,950,000 as at May 31, 2021. 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 in Kintavar in the year ended May 31, 2021, the Corporation's interest was diluted from 15.91% as at May 31, 2021 to 13,66% as at May 31, 2022.

8. INVESTMENT IN AN ASSOCIATE (CONT'D)

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, 2022	As at May 31, 2021
	$	$
Balance at beginning of year	**1,342,522**	**1,508,159**
Share of net and comprehensive loss	(233,947)	(154,651)
Net gain (loss) from dilution of the interest	263,473	(10,986)
Balance at end of year	**1,372,048**	**1,342,522**

9. PROPERTY AND EQUIPMENT

	Office equipment	E&E Equipment	Total
	$	$	$
Fiscal 2022			
Opening net book value	-	27,590	27,590
Additions	-	105,007	105,007
Depreciation	-	(32,065)	(32,065)
Closing net book value	-	100,532	100,532
As at May 31, 2022			
Cost	**14,984**	**348,772**	**363,756**
Accumulated depreciation	**(14,984)**	**(248,240)**	**(263,224)**
Closing net book value	**-**	**100,532**	**100,532**

	Office equipment	E&E Equipment	Total
	$	$	$
Fiscal 2021			
Opening net book value	-	29,132	29,132
Additions	-	17,159	17,159
Depreciation	-	(18,701)	(18,701)
Closing net book value	-	27,590	27,590
As at May 31, 2021			
Cost	**14,984**	**243,765**	**258,749**
Accumulated depreciation	**(14,984)**	**(216,175)**	**(231,159)**
Closing net book value	**-**	**27,590**	**27,590**

9. PROPERTY AND EQUIPMENT (CONT'D)

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 $32,063 ($18,701 in Fiscal 2021) was expensed as E&E expenses during the year ended May 31, 2022.

10. RIGHT-OF-USE ASSET

	Industrial building
	$
Fiscal 2022	
Opening net book value	692,538
Additions	-
Depreciation	(80,295)
Closing net book value	612,243
As at May 31, 2022	
Cost	**802,942**
Accumulated Depreciation	**(190,699)**
Closing net book value	**612,243**

	Industrial building
	$
Fiscal 2021	
Opening net book value	772,832
Additions	-
Depreciation	(80,294)
Closing net book value	692,538
As at May 31, 2021	
Cost	**802,942**
Accumulated Depreciation	**(110,404)**
Closing net book value	**692,538**

11. LEASE LIABILITY

	Fiscal 2022	Fiscal 2021
	$	**$**
Balance, opening	**739,787**	**795,789**
Repayments of lease liability	(63,617)	(56,002)
Balance	676,170	739,787
Balance, current	(66,371)	(61,896)
Balance, non-current	**609,799**	**677,891**

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, 2022	As at May 31, 2022
	$	$
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, 2023. [1]	71,631	71,629
Long-term debt - non-current	**71,631**	**71,629**

[1] If loan is not paid in full on or before December 31, 2023, interests of 5% per annum will apply starting on January 1, 2024. The 33% loan forgiveness will not apply a the total balance of $120,000 in capital will be due on December 25, 2025.

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 Placements

a) May 2022

On May 3, 2022, the Corporation closed a private placement with a strategic investor consisting of 4,354,667 units at a price of $0.24 CAD for total gross proceeds of $1,045,120. Each unit is composed of one share and one full share purchase warrant entitling the holder to acquire one share at a price of $0.32 per share until the date that is 36 months from their issue.

The entire gross proceeds of units as well as issuance costs of $5,976 were allocated to share capital, using the residual method, as the market price was equal or higher to the issuance price of the units on the day of issuance.

b) February 2022

On February 7, 2022, the Corporation closed a private placement consisting of 1,408,055 units at a price of $0.27 CAD for total gross proceeds of $380,175. Each unit is composed of one share and one-half of a share purchase warrant, each warrant entitling the holder to acquire one share at a price of $0.40 per share until the date that is 24 months from their issue.

The entire gross proceeds of units as well as issuance costs of $14,653 were allocated to share capital, using the residual method, as the market price was equal or higher to the issuance price of the units on the day of issuance.

c) November 2020

On November 6, 2020, the Corporation closed a private placement consisting of 14,559,093 units at a price of $0.17 CAD and 150,000 units at a price of $0.13 USD for total gross proceeds of $2,500,656. Each unit is composed of one share and one warrant, each warrant entitling the holder to acquire one share at a price of $0.22 per share until the date that is 24 months from their issue and thereafter at a price of $0.25 until the date that is 36 months from their issue.

13. SHARE CAPITAL (CONT'D)

The entire gross proceeds of units as well as issuance costs of $155,887 were allocated to share capital, using the residual method, as the market price was higher than the issuance price of the units on the day of issuance.

A total of 526,544 broker warrants were granted, each broker warrants entitling the holder to acquire one share at a price of $0.22 and included in the issuance costs. The value of the broker warrants was estimated using the Black-Scholes model with no expected dividend yield, 77.04% expected volatility, 0.24% risk-free interest rate and 2 years expected life.

13.3 Shares Issued in Settlement of a Debt

On January 27, 2021, the Corporation entered into an agreement to issue shares in settlement of a debt of $47,858 representing accrued interest on a convertible debenture financing closed on August 13, 2017, converted into common shares in August 2019 excluding accrued interests, as well as other past consulting services. In consideration for the debt settlement, the Corporation issued a total of 140,754 common shares at a deemed price of $0.34 per share. A director and an executive of the Corporation were among the creditors and benefited from this debt settlement in shares. The shares were issued at a value of $0.46, which is the value of the share on February 9, 2021, the date the transaction was approved by the TSX. Transaction costs of $739 were incurred and a loss on shares issued in settlement of a debt of $16,889 was recorded in the consolidated statement of loss and comprehensive loss.

14. WARRANTS

Changes in the Corporation's warrants were as follows:

	Fiscal 2022		Fiscal 2021	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
		$		**$**
Opening	17,250,468	0.21	9,368,886	0.17
Issued (note 13)	5,058,695	0.33	14,709,093	0.22
Exercised	(5,791,375)	0.19	(6,527,511)	0.18
Expired	-	-	(300,000)	0.15
Balance, end	**16,517,788**	**0.25**	**17,250,468**	**0.21**

Warrants outstanding as at May 31, 2022 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
11,459,093	0.22*	November 6, 2022*
704,028	0.40	February 7, 2024
4,354,667	0.32	May 23, 2025
16,517,788		

*Warrants issued on November 6, 2020 have an exercise price of $0.22 for the first 24 months after which the price is $0.25 for the following 12 months.

15. BROKER WARRANTS

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

	Fiscal 2022		Fiscal 2021	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance, opening	631,344	0.22	120,800	0.20
Issued	-	-	526,544	0.22
Exercised	(260,888)	0.21	(16,000)	0.20
Balance, end	**370,456**	**0.22**	**631,344**	**0.22**

The number of outstanding warrants as at May 31, 2022 are as follows:

Number of broker warrants	Exercise price	Expiry date
	$	
370,456	0.22	November 6, 2022
370,456		

16. STOCK OPTIONS

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

	Fiscal 2022		Fiscal 2021	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
		$		$
Balance, opening	9,296,250	0.17	9,248,750	0.12
Granted	3,520,000	0.28	2,525,000	0.26
Exercised	(1,330,000)	0.10	(2,271,250)	0.10
Forfeited	(50,000)	0.31	(206,250)	0.17
Balance, end	**11,461,250**	**0.21**	**9,296,250**	**0.17**
Balance, end, exercisable	8,197,500	0.18	6,402,500	0.12

16. STOCK OPTIONS (CONT'D)

The number of options outstanding as of May 31, 2022 are as follows:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry date
		$	
533,750	533,750	0.09	October 19, 2022
325,000	325,000	0.34	January 27, 2023
400,000	400,000	0.08	September 14, 2023
400,000	200,000	0.305	October 27, 2023
750,000	750,000	0.085	November 20, 2023
1,400,000	400,000	0.24	May 3, 2024
250,000	250,000	0.175	July 29, 2024
1,362,500	1,362,500	0.155	October 23, 2024
200,000	200,000	0.155	November 28, 2024
75,000	75,000	0.185	January 19, 2025
1,450,000	1,450,000	0.165	April 16, 2025
450,000	450,000	0.165	April 21, 2025
250,000	187,500	0.155	June 3, 2025
100,000	75,000	0.155	June 8, 2025
500,000	375,000	0.175	August 13, 2025
45,000	26,250	0.205	August 31, 2025
250,000	187,500	0.18	October 21, 2025
1,050,000	525,000	0.34	January 27, 2026
1,670,000	417,500	0.305	October 27, 2026
11,461,250	**8,197,500**		

On October 27, 2021, the shareholders of the Corporation renewed the stock option plan which stipulates that the maximum number of ordinary shares in the capital of the Corporation that could be reserved for allotment under the plan is limited to 10% of the outstanding shares.

On May 3, 2022, the Corporation granted 1,400,000 stock options to a consultant, priced at $0.24, valid for 2 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 2.6580%, expected volatility of 78.83%, no dividend per share and expected duration of 2 years. The options granted vest as follows: (a) 400,000 options vested immediately; and (b) 1,000,000 options will vest in two separate tranches of 500,000 based on the achievement of certain performance objectives.

On October 27, 2021, the Corporation granted 2,120,000 stock options to employees, directors and consultants, at a price of $0.305, valid for 5 years (2 years for consultants). The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: risk-free interest rate of 1.3118% (1.0382% for consultants), expected volatility of 84.50% (87.46% for consultants), no dividend per share and expected duration of 3.75 years options (2 years for consultants). From the granting, options are earned in increments of 25% every 6 months (3 months for consultants)

16. STOCK OPTIONS (CONT'D)

On January 27, 2021, the Company granted 1,350,000 stock options to employees, directors and consultants at a price of $0.34, valid for 5 years (2 years for consultants). The fair value of the options granted was estimated using the Black-Scholes model based on the following assumptions: risk-free interest rate of 0.3203% (0.1537% for consultants), expected volatility of 79.42% (81.24% for consultants), no dividend per share and expected duration of 3.75 years options (2 years for consultants). From the granting, options are earned in increments of 25% every 6 months (3 months for consultants).

On October 21, 2020, the Corporation granted to a new director 250,000 stock options, priced at $0.18, 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 0.3010%, expected volatility of 79.89%, no dividend per share and expected duration of 3.75 years options.

On August 31, 2020, the Corporation granted to a new employee 75,000 stock options, priced at $0.205, 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 0.3854%, expected volatility of 79.85%, no dividend per share and expected duration of 3.75 years options.

On August 13, 2020, the Corporation granted to consultants 500,000 stock options, priced 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 0.3500%, expected volatility of 81.00%, no dividend per share and expected duration of 3.75 years options.

On June 8, 2020, the Corporation granted two employees 100,000 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 0.4065%, expected volatility of 82.87%, no dividend per share and expected duration of 3.75 years options.

On June 3, 2020, the Corporation granted to a new director 250,000 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 0.3854%, expected volatility of 83.12%, no dividend per share and expected duration of 3.75 years options.

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. 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 adjusts 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 2022, the Corporation issued common shares (note 13) for $1.4M, received proceeds from exercise of warrants, broker warrants and options for $1.29M, secured grants for $2,1M and secured research contracts for $1,6M. The Corporation also has access to a $3.05M loan secured in Fiscal 2020 and 2021. The loan is 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.

17. CAPITAL MANAGEMENT (CONT'D)

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.

18. LOSS PER SHARE

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

19. REMUNERATION

	Fiscal 2022	Fiscal 2021
	$	$
Wages, salaries	594,562	487,624
Benefits	103,755	78,966
Share-based compensation	328,556	198,389
	1,026,873	**764,979**
Salaries and benefits recorded in E&E expenses	(547,795)	(464,446)
Share-based payments recorded in E&E expenses	(153,082)	(85,922)
Salaries, employee benefits and share-based compensation presented on the statement of loss	**325,996**	**214,611**

20. EXPLORATION AND EVALUATION EXPENSES

Montviel	Fiscal 2022	Fiscal 2021
	$	$
Acquisition and maintenance	**1,470**	**9,282**
Exploration		
Salaries and benefits	372	748
Share-based compensation	18,254	18,704
Geology	-	240
Transport and lodging	2,616	113
Geophysics	-	60,310
Taxes, permits and insurances	24	250
Total exploration	**21,266**	**80,365**
Evaluation		
Salaries and share-based compensation – Separation process	681,970	530,916
Separation process	114,008	63,742
Depreciation of property and equipment	32,063	18,701
Engineering	52,170	77,400
Total Evaluation	**879,941**	**690,759**
Total gross E&E expenses	**902,947**	**780,406**
Government grants	(220,394)	(316,248)
Net tax credits	(59,706)	(109,941)
Net E&E expenses - Montviel	**622,847**	**354,217**

20.1 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 149 mining claims totalling 8275 hectares as at May 31, 2022.

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.

20.2 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.

20.3 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. On April 26, 2022, the Agreement was updated with the new reality of the Corporation to include new expected and possible revenue streams.

20. EXPLORATION AND EVALUATION EXPENSES (CONT'D)

The Extraction Royalty and the Separation Royalty or Generic 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 or Generic Royalty of 3% of the Net Sales Revenue for the separation products or Generic 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:

- Extraction Royalty – 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%.
- Separation Royalty - 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.
- Generic Royalty – Production of 50 kg / day of associated product to any of Generic Work Product in designated form for at least (i) 10 consecutive business days or (ii) 20 business days during any 2 months period, and, received the full payment of a first order relating to such production.

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.

21. 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 2022	Fiscal 2021
	$	$
Loss before income taxes	(1,442,774)	(1,453,763)
Expected income tax expense using the combined federal and provincial income tax rate in Canada of 26.5% (2021 – 26.5%)	(382,335)	(385,247)
Increase in income taxes resulting from the following:		
Non-deductible expenses and other	133,664	116,780
Change in deferred tax assets not recognized	248,671	268,467
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 $7,372,334 (2021 - $7,120,362).

The significant components of the deferred tax assets and (liabilities) of the Corporation are as follows:

	As at May 31, 2022	As at May 31, 2021
	$	$
Right of use assets	(162,244)	(183,523)
Marketable securities	(3,460)	-
Long-term debt	(2,218)	(2,218)
Non-capital losses	167,922	185,741
	-	-

The Corporation has not recognized a deferred tax asset in respect of the following unrecognized deductible temporary differences:

	As at May 31, 2022	As at May 31, 2021
	$	$
Intangible assets	14,870	14,870
Property and equipment	283,850	209,401
Exploration expenses	11,576,895	11,573,719
Research and development expenditures	2,150,719	1,244,411
Lease obligations	676,170	739,789
Share issuance costs	125,344	151,794
Non-capital losses	12,983,357	12,944,608
	27,811,205	26,878,592

As at May 31, 2022, the Corporation has not recognized a deferred tax asset in respect of the following non-capital losses, which are available to reduce future year's income for tax purposes and expire as follows:

21. INCOME TAXES (CONT'D)

	Federal	Provincial
	$	$
2032	1,905,780	1,905,780
2033	2,398,375	2,444,550
2034	1,483,287	1,483,287
2035	1,978,913	1,978,913
2036	1,250,612	1,250,613
2037	842,551	819,923
2038	648,408	605,336
2039	609,407	573,075
2040	560,477	519,290
2041	768,317	694,822
2042	537,230	537,230
	12,983,357	**12,812,819**

22. 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.

22.1 Interest rate risk

When the Corporation has cash balances, the current policy is to invest excess cash in certificates of deposit or other low-risk short-term investments. 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.

22.2 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. Management believes that it has sufficient funds to finance its operations and meet its obligations as they come due.

22. FINANCIAL INSTRUMENTS AND RISKS (CONT'D)

As at May 31, 2022, 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	216,953	-	-	216,953
Lease Liability – Current contractual maturities[1]	111,600	195,300	-	306,900
Lease Liability – Future renewal options[1]	-	251,100	306,900	558,000
Long-term debt (note12)	-	80,000	-	80,000
	328,553	**526,400**	**306,900**	**1,161,853**

[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-years 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.

22.3 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.

22.4 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, 2022, the balance in U.S. dollars held by the Corporation was as follows:

	May 31, 2022	May 31, 2021
	$	**$**
Cash	95,054	101,545
Investments included in cash equivalents	341,149	340,195
Net exposure, in US dollars	436,203	441,740
Equivalent in Canadian dollars	**552,713**	**550,795**

Based on the balance as at May 31, 2022, 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 $21,810 in 2022 ($22,087 as at May 31, 2021).

22. FINANCIAL INSTRUMENTS AND RISKS (CONT'D)

22.5 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.

23. RELATED PARTY TRANSACTIONS

23.1 Transactions with related parties

In the normal course of business:

- A firm in which a director was a partner charged professional fees amounting to $20,318 ($42,982 in Fiscal 2021).

Out of the normal course of business:

- Directors and Officers of the Corporation participated in a private placement in February 2022. 97,000 shares of the Corporation were bought at a price of $0.27, for a total value of $26,190.
- Officers and directors of the Corporation exercised 1,300,000 options during Fiscal 2022 for a total value of $122,625 (500 000 options for $35,000 in Fiscal 2021).
- Officers and directors of the Corporation also exercised 153,625 warrants during Fiscal 2022 for a total value of $30,725 (nil in Fiscal 2021).
- On January 27, 2021, a director and an officer together received 25,928 shares in a shares for debt transaction for a value of $8,816. See note 13.2 for more details on the transaction.

23.2 Billing according to agreement with Kintavar and its subsidiary

	Fiscal 2022	Fiscal 2021
	$	$
Salaries, employee benefits and share-based compensation	(800)	-
Exploration and evaluation, net of tax credits	(1,481)	(9,545)
Travel, conventions and investor relations	11,925	15,464
Administration	(203)	-
Rent	11,100	12,025
Total	**20,541**	**17,944**

As of May 31, 2022, the amount receivable from Kintavar was $18,744 ($3,558 as of May 31, 2021).

23.3 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 of May 31, 2022, 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.

24. ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED STATEMENT OF CASH FLOW

Change in non-cash working capital items

	2022	2021
	$	**$**
Accounts receivable	(36,168)	55,549
Work in progress	(71,868)	-
Tax credits and government grants receivable	32,106	1 339
Prepaid and other expenses	34,504	(20,965)
Inventories	-	(4,399)
Trade and other payables	(3,065)	(31,537)
Deferred grants	103,044	-
	58,553	**(13)**