Geomega Resources Inc.

Unaudited Condensed Interim Consolidated Financial Statements

Six months ended November 30, 2016

The attached financial statements have been prepared by Management of Geomega Resources Inc. and have not been reviewed by the auditors

Geomega Resources Inc.

Consolidated Statements of Financial Position
(Unaudited)

	Note	As at November 30, 2016	As at May 31, 2016
		$	$
Assets			
Current assets			
Cash and cash equivalents	4	650,482	1,372,840
Sales tax receivable		24,988	24,765
Tax credits and government grant receivable		57,834	54,612
Prepaid expenses and others		35,152	22,395
Assets held for sale	5	98,895	-
Current assets		867,351	1,474,612
Non-current assets			
Marketable securities	6.1	97,500	-
Exploration and evaluation assets	6	17,723,116	17,516,788
Property and equipment		179,055	199,280
Non-current assets		17,999,671	17,716,068
Total assets		**18,867,022**	**19,190,680**
Liabilities			
Current liabilities			
Trade and other payables		491,664	515,096
Liability related to the premium on flow-through shares	7	2,642	98,442
Current liabilities		494,306	613,538
Non-current liabilities			
Liability related to share exchange rights	11	459,850	-
Total Liabilities		**954,156**	**613,538**
Equity			
Share capital		28,138,731	28,138,731
Warrants	8	691,579	559,010
Broker options	9	9,195	23,595
Stock options	10	349,145	1,134,067
Contributed surplus		3,432,871	2,616,232
Deficit		(14,735,823)	(13,894,493)
Accumulated other comprehensive loss		22,500	-
Equity attributable to Geomega Resources Inc.'s shareholders		17,908,198	**18,577,142**
Non-controlling interests		4,668	-
Total equity		**17,912,866**	**18,577,142**
Total liabilities and equity		**18,867,022**	**19,190,680**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Geomega Resources Inc.

Consolidated Statements of Comprehensive Loss

(Unaudited)

		Three months ended November 30		Six months ended November 30	
	Note	**2016**	**2015**	**2016**	**2015**
		$	**$**	**$**	**$**
Operating Expenses					
Salaries, employee benefits, severance pay and share-based compensation		157,194	148,683	229,322	340,650
Directors fees		18,750	-	37,500	-
Exploration and evaluation expenses, net of tax credits	12	12,457	-	29,505	-
Research expenses, net of tax credits		-	6,328	-	11,975
Professional fees		35,604	69,551	130,250	137,556
Travel conference and investor relations		5,040	6,988	12,715	19,568
Administration		8,456	9,111	13,351	19,401
Filing fees		28,820	16,285	32,798	26,605
Rent		7,884	7,307	23,653	14,613
Insurance, taxes and permits		4,644	8,817	19,917	21,939
Impairment of exploration and evaluation assets		8,988	-	26,641	-
Gain on disposal of exploration and evaluation assets		-	-	(71,391)	-
Operating loss		(287,837)	(273,070)	(484,261)	(592,307)
Other income (expenses)					
Interest income		-	1,016	(536)	5,344
Finance costs		(8,739)	(1,173)	(17,126)	(3,138)
		(8,739)	(157)	(17,662)	2,206
Net loss - continuing operations before income taxes		(296,576)	(283,227)	(501,923)	(590,101)
Deferred income taxes recovery		45,300	136,958	95,800	203,707
Net loss - continuing operations		**(251,276)**	**(136,269)**	**(406,123)**	**(386,394)**
Net Loss - discontinued operations	5	(62 294)	(175,503)	(105,246)	(370,388)
Net loss		**(313,570)**	**(311,772)**	**(511,369)**	**(756,782)**
Other comprehensive loss					
Unrealized gain due to change in value of marketable securities		45,000	-	22,500	-
Other comprehensive loss		45,000	-	22,500	-
Comprehensive loss		**(268,570)**	**(311,772)**	**(488,869)**	**(756,782)**
Net loss attributable to:					
Geomega Resources Inc. shareholders		(312,194)	(311,772)	(508,051)	(756,782)
Non-controlling interests		(1,376)	-	(3,318)	-
Net loss – continuing operations attributable to:					
Geomega Resources Inc. shareholders		(249,900)	(136,269)	(402,805)	(386,094)
Non-controlling interests		(1,376)	-	(3,318)	-
Comprehensive loss attributable to:					
Geomega Resources Inc. shareholders		(267,194)	(311,772)	(485,551)	(756,782)
Non-controlling interests		(1,376)	-	(3,318)	-
Basic and diluted loss per share		(0.004)	(0.005)	(0.007)	(0.012)
Basic and diluted loss per share – continuing operations		(0,003)	(0,003)	(0,005)	(0,006)
Basic and diluted loss per share – discontinued operations		(0.001)	(0.003)	(0.001)	(0,006)
Weighted average number of basic and diluted outstanding shares		77,433,712	66,303,240	77,433,712	61,570,058

Other comprehensive loss is composed solely of items that may be reclassified subsequently to net loss.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Geomega Resources Inc.

Consolidated Statements of Changes in Equity

(Unaudited)

	Note	Number of shares outstanding	Capital stock	Warrants	Broker Options	Stock Options	Contributed surplus	Deficit	Total equity
			$	$			$	$	$
Balance at May 31, 2015		56,989,560	26,525,148	700,225	119,910	1,663,131	1,529,238	(11,927,228)	18,610,424
Loss and comprehensive loss for the period		-	-	-	-	-	-	(756,782)	(756,782)
Shared-based compensation		-	-	-	-	21,061	-	-	21,061
Shared issued for private placements		5,213,556	822,270	88,684	-	-	-	-	910,954
Shared insurance costs		-	(22,540)	(3,791)	-	-	-	-	(26,331)
Expired warrants		-	-	(393,024)	-	-	340,162	-	(52,862)
Expired stock-options		-	-	-	-	(250,020)	250,020	-	-
Expired broker options		-	-	-	(105,510)	-	91,319	-	(14,191)
Balance at November 30, 2015		**62,203,116**	**27,324,878**	**392,094**	**14,400**	**1,434,172**	**2,210,739**	**(12,684,010)**	**18,692,273**

	Note	Number of shares outstanding	Capital stock	Warrants	Broker Options	Stock Options	Contributed surplus	Deficit	Accumulated other comprehensive income	Equity attributable to Geomega Resources Inc.	Non-controlling interest	Total equity
			$	$			$	$				$
Balance at May 31, 2016		77,433,712	28,138,731	559,010	23,595	1,134,067	2,616,232	(13,894,493)	-	18,577,142	-	18,577,142
Net loss		-	-	-	-	-	-	(508,051)	-	(508,051)	(3,318)	(511,369)
Unrealized gain due to change in value of marketable securities		-	-	-	-	-	-	-	22,500	22,500	-	22,500
Comprehensive income		-	-	-	-	-	-	(508,051)	22,500	(485,551)	(3,318)	(488,869)
Investment in Innord by non-controlling interest	11	-	-	-	-	-	-	242,014	-	242,014	7,986	250,000
Liability related to share exchange rights	11	-	-	-	-	-	-	(442,724)	-	(442,724)	-	(442,724)
Shared-based compensation		-	-	-	-	17,317	-	-	-	17,317	-	17,317
Expired stock-options		-	-	-	-	(802,239)	802,239	-	-	-	-	-
Extended warrants	8	-	-	132,569	-	-	-	(132,569)	-	-	-	-
Expired broker options	9	-	-	-	(14,400)	-	14,400	-	-	-	-	-
Balance at November 30, 2016		**77,433,712**	**28,138,731**	**691,579**	**9,195**	**349,145**	**3,432,871**	**(14,735,823)**	**22,500**	**17,908,198**	**4,668**	**17,912,866**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Geomega Resources Inc.

Consolidated Statements of Cash Flows

(Unaudited)

	Note	Six months ended November 30, 2016	2015
		$	$
Operating activities			
Net loss relating to continuing operations		(406,123)	(386,394)
Adjustments for:			
Share-based compensation		12,413	18,899
Gain on disposal of exploration and evaluation assets		(71,391)	-
Finance costs		17,126	-
Impairment of exploration and evaluation assets		26,641	-
Deferred income tax recovery		(95,800)	(203,707)
Changes in non-cash working capital items			
Sales tax receivable		(223)	(28,262)
Prepaid expenses and other		(12,757)	4,796
Trade and other payables		14,100	179,601
Cash flows used in operating activities		**(516,014)**	**(415,067)**
Investing activities			
Additions of exploration and evaluation assets		(392,177)	(370,486)
Government grants		48,708	-
Tax credit received		-	48,813
Additions of property and equipment		(7,629)	(14,635)
Cash flows from (used) in investing activities		**(351,098)**	**(336,308)**
Financing activities			
Proceeds from issuance of units and shares, net of issue costs		-	1,043,571
Contribution of non-controlling shareholders	11	250,000	-
Payments on obligations under finance leases		-	(29,698)
Cash flows from (used) in financing activities		**250,000**	**1,013,873**
Net change in cash and cash equivalents relating to continuing operations		**(617,112)**	**262,498**
Cash flow used in discontinued operations	5	(105,246)	(370,388)
Net change in cash and cash equivalents		(722,358)	(107,890)
Cash and cash equivalents – beginning		1 372,840	454,671
Cash and cash equivalents – ending		**650 482**	**346,781**
Additional information			
Interest received		409	2,020
Interest paid		-	(2,158)
Addition of exploration and evaluation assets included in trade and other payables		116,918	21,399

The accompanying notes are an integral part of these condensed interim 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 unaudited condensed interim consolidated financial statements (the “Financial Statements”) were approved by the Corporation’s Board of Directors on January 26, 2017.

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 six months ended November 30, 2016, the Corporation reported a net loss of $511,369 and has accumulated a deficit of $14,735,823 up to that date. As at November 30, 2016, the Corporation had working capital of $373,045, including assets held for sale of $98,895. From this working capital, the Corporation has to dedicate $9,176 to Canadian mining properties exploration, pursuant to the restrictions imposed by the December 30, 2015 flow-through financing.

Management estimates that the working capital will not be sufficient to meet the Corporation’s obligations and commitments and budgeted expenditures through November 30, 2017. These circumstances lend a significant doubt as to the ability of the Corporation to ensure its continuity of operation and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Corporation's ability to continue as a going concern as described in the preceding paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Financial Statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity or debt financing. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in the Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with the *International Financial Reporting Standards* (“IFRS”) as issued by the *International Accounting Standards Board* (“IASB”) applicable to the preparation of interim financial statements, including *International Accounting Standard* (“IAS”) 34, *Interim Financial Reporting*. Accordingly, the Financial Statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the annual financial statements for the year ended May 31, 2016, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in the Financial Statements are consistent with those of the previous financial year ended May 31, 2016, except for the policies described below.

Consolidation
The Financial Statements include the accounts of the Corporation and those of its subsidiary Innord Inc. ("Innord") owned at 96.16% on November 30, 2016 (100% on May 31, 2016).

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.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. The fair values of the investments in common shares are based on the quoted market prices of those shares on a recognized stock exchange at the end of each reporting period. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the consolidated statement of income as part of interest income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the consolidated statement of income and are included in other gains or losses. Available-for-sale financial assets are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with IFRS requires the Corporation to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. The Corporation also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the Financial Statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended May 31, 2016, except for the new judgements and estimates described below.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

Critical judgments

Discontinued operations and assets held for sale
A non-current asset (or disposal group) is reclassified as held for sale and reclassified to current assets if the Corporation expects that its carrying value will be recovered principally through a sale transaction and not through its continued use provided that the asset (or disposal group) is available for immediate sale in its present condition and realization of its sale is highly probable. A high probability of sale is considered to exist when the Corporation is committed to a plan to sell the asset (or disposal group), has undertaken an active program to actively market the asset (or disposal group) and locate a buyer at a price reasonable in relation to fair value of the asset (or disposal group), and expects the sale process to be concluded within one year following the date of reclassification. The assets and liabilities of any subsidiary for which the Corporation is committed to sell and for which loss of control of the subsidiary is expected to occur are also reclassified as held for sale.

Any component of the Corporation which, while in use, represented one or more cash-generating units ("CGUs") of the Corporation, has been disposed of or classified as held for sale, and represents a major line of business or geographical area of operations or is part of a single plan to dispose of such a business or operation or is otherwise a subsidiary acquired exclusively for resale is classified as a discontinued operation. The assets, liabilities, comprehensive income, and cash flows relating to a discontinued operation of the Corporation are segregated and reported separately from the continuing operations of the Corporation in the period of reclassification.

Liability related to share exchange rights
The put option is classified as a financial liability using the present-access method. Under this method, non-controlling interests continue to be recognized because the non-controlling shareholders still have present access to the returns associated with the underlying ownership interests. Therefore, the offsetting entry to the financial liability is posted to deficit.

Critical estimates
Liability related to share exchange rights
Estimates and assumptions used to calculate the value of the liability related to share exchange rights include the interest rate used to discount the amount of redemption (8%) and the estimated period of time over which the different exchange rights could be exercised by the non-controlling shareholders.

4. CASH AND CASH EQUIVALENTS

	As at November 30, 2016	**As at May 31, 2016**
	$	**$**
Cash	650,482	1,269,698
Investment redeemable at any time	-	103,142
Cash and cash equivalents	**650,482**	**1,372,840**

The balance on flow-through financing not spent according to the restrictions imposed by the December 31, 2015 financing represents $9,176 as at November 30, 2016 and is included in cash and cash equivalents. The Corporation has to dedicate these funds to Canadian mining properties exploration.

5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

On December 8, 2016 the Corporation signed a Conditional Gold Claims Sale Agreement (the “Sale Agreement”) with a privately owned corporation, Groupe Ressources Géomines Inc. (“Géomines”). The Sale Agreement concerns all the non-rare earth elements (“non-REE”) related assets held by the Corporation and are comprised of the Anik, Rivière à l'Aigle, McDonald, Gaspard, Comptois, Lac Storm, 3G and Maryse properties. The Sale Agreement will be done in conjunction with the closing of a transaction between Géomines and Black Springs Capital Corp. (“BSC”) pursuant to which BSC will acquire all of the outstanding shares of Géomines (the "Acquisition"). Géomines has an exploration portfolio, comprised of the WHN and Boisvert properties located in the Province of Québec (the “Géomines Properties”). The Acquisition will constitute the “Qualifying Transaction” (“QT”) of BSC, a “capital pool company”, as such terms are defined in the policies of the Exchange. Subject to the Exchange’s approval, upon completion of the Acquisition, the combined entity (the "Resulting Issuer") will continue to carry on the business of Géomines as currently constituted.

In connection with the closing of the Acquisition, BSC intends on obtaining shareholder approval for a continuance of BSC from the Business Corporations Act (British Colombia) to the Business Corporations Act (Québec) (the “Continuation”), completing a capital restructuring (the "Capital Restructuring"), including the consolidation of its share capital on a basis of two (2) pre-consolidated shares (each a “BSC PreShare”) for one (1) post-consolidated share (a “BSC PostShares”), and changing its name to Kintavar Exploration Inc. Upon completion of the Capital Restructuring, BSC’s 6,500,000 BSC PreShares and 400,000 options currently outstanding will be consolidated respectively into 3,250,000 BSC PostShares and 200,000 post-consolidation options.

Under the terms of the Sale Agreement, an all share transaction, the Corporation will receive a total of 17,857,143 BSC PostShares of the Resulting Issuer at a deemed price of $0.14 per share, a value of $2,500,000 representing the book value of the Non-REE assets as of the date of the closing.

Under the terms of the Acquisition, an all share transaction, current Géomines shareholders will receive a total of 10,714,286 BSC PostShares of the Resulting Issuer at a deemed price of $0.14 per share, a value of $1,500,000 representing the book value of the Géomines Properties as of the date of the closing.

The total value of the Sale Agreement and the Acquisition is $4,000,000, excluding any shares of Géomines issued as part of the financings described further below. The Acquisition and the Sale Agreement will be carried out by parties dealing at arm’s length to one another. The Corporation intends to distribute to its shareholders, after the closing of the QT, approximately 7,827,464 of the shares received from the sale of its non-REE assets and will hold approximately 19.9% of the issued and outstanding shares of the resulting issuer.

After the closing of the Sale Agreement, the Corporation will retain its core assets, namely the Montviel property, its holdings and assets in Innord and its holdings of the Resulting Issuer. The Corporation is expected to be the largest shareholder of the Resulting Issuer, post-QT and closing of the financings.

Géomines and BSC will proceed over the following weeks with all the required regulatory filings, approvals and financing initiatives.

A finder’s fee of 190,476 BSC PostShares shall be paid, subject to the approval of the Exchange, to each of Ansacha Capital Inc., Hexagon Ventures Inc. and Laurentian Bank Securities for being instrumental in introducing the parties.

BSC will complete a bridge private placement financing of a minimum of $75,000 and a maximum of $100,000 (the “Bridge Financing”), of BSC PreShares at the subscription price of $0.0525 per share. The closing of the Bridge Financing will not be conditional to the closing of the Acquisition.

5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (CONT'D)

The Sale Agreement is conditional, as part of the QT, on the closing of a financing of a minimum of $1,400,000 and a maximum of $3,000,000 in Géomines and/or BSC, (the "Concurrent Financing"), resulting in the issuance of a maximum of 21,428,572 BSC PostShares at a deemed price of $0.14 per share (or $0.18 per share issued on a flow-through basis) and 10,714,286 BSC PostShares purchase warrants at a minimum exercise price of $0.18 for a period of 24 months.

Completion of the Acquisition is subject to a number of conditions including, but not limited to, completion of the Minimum Concurrent Financing, the Continuance and the Capital Restructuring, the satisfaction of BSC, Géomines and the Corporation in respect of the due diligence investigations to be undertaken by each party, the completion of a definitive agreement in respect of the Acquisition, closing conditions customary to transactions of the nature of the Acquisition, approvals of all regulatory bodies having jurisdiction in connection with the Acquisition, Exchange acceptance and, if required by the Exchange policies, majority of the minority shareholder approval. Where applicable, the Acquisition cannot close until the required shareholder approvals are obtained and there can be no assurance that the Acquisition will be completed as proposed or at all. Upon completion of the Acquisition the Resulting Issuer intends to be listed as a Tier 2 "mining issuer" under the rules of the Exchange.

Assets held for sale

The carrying values of the major classes of assets included as part of non-REE on the consolidated balance sheet were reclassified as assets of a disposal group classified as held for sale as at November 30, 2016. The balances reported consist of the following:

	As at November 30, 2016
	$
Exploration and evaluation assets	98,895
Non-current assets held for sale	**98,895**

Loss relating to discontinued operations

Loss and comprehensive loss related to non-REE have been segregated from continuing operations. Loss from discontinued operations consists of the following:

	Three months ended		**Six months ended**	
	November 30, 2016	**November 30, 2015**	**November 30, 2016**	**November 30, 2015**
	$	**$**	**$**	**$**
Exploration and evaluation expenses, net of tax credits	62,294	175,503	105,246	370,388
Loss relating to discontinued operations	**62,294**	**175,503**	**105,246**	**370,388**

Cash flows from discontinued operations

Cash flows related to non REE have been segregated from continuing operations. Net cash flows used in discontinued operations consist of the following:

	Six months ended	
	November 30, 2016	**November 30, 2015**
	$	**$**
Cash flows used in operating activities	105,246	370,388
Cash flow used in discontinued operations	**105,246**	**370,388**

6. EXPLORATION AND EVALUATION ASSETS

	As at November 30, 2016	As at May 31, 2016
	$	$
Mineral properties acquisition costs	6,088,647	6,198,012
Exploration and evaluation expenditures capitalized	11,634,469	11,318,776
Total exploration and evaluation assets	**17,723,116**	**17,516,788**

Mineral properties acquisition costs	As at May 31, 2015	Additions	Disposal	Impairment [1)]	As at May 31, 2016
	$	$	$	$	$
Montviel	6,928,012	5,926	-	(832,013)	6,101,927
Anik	48,410	119	-	-	48,529
McDonald	21,962	10,522	-	(2,957)	29,527
Rivière à l'aigle	6,036	3,480	-	-	9,516
Lac Storm	939	-	-	-	939
3G	790	-	-	-	790
Maryse	-	1,517			1,517
Gaspard	-	1,658	-	-	1,658
Buckingham	2,172	1,437	-	-	3,609
	7,008,321	**24,661**	**-**	**(834,970)**	**6,198,012**

1) Some claims were dropped and the Corporation impaired partially the property.

Mineral Properties acquisition costs	As at May 31, 2016	Additions	Disposal	Impairment [1)]	Transfer – held for sale (note 5)	As at November 30, 2016
	$	$	$	$	$	$
Montviel	6,101,927	4,373	-	(17,653)	-	6,088,647
Anik	48,529	8,894	-	(8,988)	(48,435)	-
McDonald	29,527	6,074	-	-	(35,601)	-
Rivière à l'aigle	9,516	312	-	-	(9,828)	-
Lac Storm	939	33	-	-	(972)	-
3G	790	21	-	-	(811)	-
Maryse	1,517	15	-	-	(1,532)	-
Gaspard	1,658	58	-	-	(1,716)	-
Buckingham (note 6.1)	3,609	-	(3,609)	-	-	-
	6,198,012	**19,780**	**(3,609)**	**(26,641)**	**(98,895)**	**6,088,647**

1) Some claims were dropped and the Corporation impaired partially the property.

6. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Exploration and evaluation expenditures capitalized	**As at May 31, 2015**	**Additions**	**Tax credits**	**Government grants**	**As at May 31, 2016**
	$	**$**	**$**	**$**	**$**
Montviel	10,886,787	643,043	(12,558)	(198,496)	11,318,776
	10,886,787	**643,043**	**(12,558)**	**(198,496)**	**11,318,776**

Exploration and evaluation expenditures capitalized	**As at May 31, 2016**	**Additions**	**Tax credits**	**Government grants**	**As at Nov 30, 2016**
	$	**$**	**$**	**$**	**$**
Montviel	11,318,776	367,623	-	(51,930)	11,634,469
	11,318,776	**367,623**	**-**	**(51,930)**	**11,634,469**

6.1 Buckingham property (Graphite)

On April 6, 2016, the Corporation signed a property purchase agreement with Saint Jean Carbon Inc. ("Saint Jean") whereby Saint Jean acquired a 100%-interest in the Buckingham mining property. Under the terms of the agreement, the Corporation received 1,500,000 common shares of Saint Jean valued at $75,000 as per the Exchange price on the day the Corporation received the shares. The Corporation retains a 0.75% net output returns royalty on the property that was measured at a symbolic value.

7. LIABILITY RELATED TO THE PREMIUM ON FLOW THROUGH SHARES

	As at November 30, 2016	**As at May 31, 2016**
	$	**$**
Balance, beginning of period	98,442	-
Addition, net of issue costs	-	272,545
Reduction related to qualifying exploration expenditures	(95,800)	(174,103)
Liability related to the premium on flow through shares	**2,642**	**98,442**

8. WARRANTS

Changes in the Corporation's warrants are as follow:

	Six months ended November 30, 2016			Year ended May 31, 2016		
	Number of warrants	Carrying Value	Weighted average exercise price	Number of warrants	Carrying Value	Weighted average exercise price
		$	$		$	$
Opening	12,104,131	559,010	0,16	6,957,304	700,225	0.40
Issued	-	-	-	7,013,493	260,005	0.12
Issuance Costs	-	-	-	-	(8,195)	-
Expired	-	-	-	(1,866,666)	(393,025)	0.90
Extented	-	132,569	-	-	-	-
	12,104,131	**691,579**	**0,16**	**12,104,131**	**559,010**	**0.16**

Warrants outstanding as at November 30, 2016 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
1,302,778	0.23	June 19, 2017
5,710,715	0.09	February 22, 2018
1,662,500	0.21	November 4, 2018 (extended)
2,264,138	0.25	November 4, 10 and 2018 (extended)
164,000	0.21	December 3, 2018 (extended)
1,000,000	0.15	July 1, 2019
12,104,131		

The 4 090 638 warrants due to expire between November 4, 2016 and December 6, 2016 were extended 2 years. Total costs of the warrant extension amounts to $132,569, recorded under warrants and the offsetting entry was recorded in the deficit. The fair value of the warrants extension was estimated using the Black-Scholes model calculated for the deference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follow for the two periods respectively: no expected dividend yield, 90.2% and 74.2% weighted average expected volatility, 0.50% and 0.53% risk-free interest rate and 2.03 and 0.03 years warrant weighted average expected life.

9. BROKER OPTIONS

Changes in the Corporation's broker options are as follow:

	Six months ended November 30, 2016			Year ended May 31, 2016		
	Number of broker options	**Carrying Value**	**Weighted average exercise price**	**Number of broker options**	**Carrying Value**	**Weighted average exercise price**
		$	$		$	$
Opening	389,875	23,595	0.16	424,167	119,910	0.47
Issued	-	-	-	229,875	9,195	0.09
Expired	(160,000)	(14,400)	0.25	(264,167)	(105,510)	0.60
	229,875	**9,195**	**0.09**	**389,875**	**23,595**	**0.16**

Broker warrants outstanding as at November 30, 2016 are as follows:

Number of broker options	Exercise price	Expiry date
	$	
229,875	0.09	June 30, 2017
229,875		

10. STOCK OPTIONS

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

	Six months ended November 30, 2016		Year ended May 31, 2016	
	Number of options	**Weighted Average Exercise Price**	**Number of options**	**Weighted Average Exercise Price**
		$		$
Balance, beginning	3,145,000	0.40	3,320,000	0.60
Granted	1,920,000	0.095	1,090,000	0.07
Expired	(475,000)	1.68	(1,122,500)	0.68
Forfeited	-	-	(142,500)	0.26
Balance, end	**4,590,000**	**0.14**	**3,145,000**	**0.40**
Balance, end exercisable	2,100,000	0.20	2,181,250	0.54

10. STOCK OPTIONS (CONT'D)

The number of options outstanding as of November 30, 2016 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		$	
100,000	100,000	0.45	July 19, 2017
200,000	200,000	0.42	October 30, 2017
225,000	225,000	0.15	June 28, 2018
225,000	225,000	0.16	July 22, 2018
225,000	225,000	0.17	September 19, 2018
120,000	120,000	0.30	January 23, 2019
385,000	385,000	0.26	September 17, 2019
100,000	75,000	0.14	January 23, 2020
300,000	150,000	0.09	September 13, 2020
790,000	395,000	0.07	November 22, 2020
1,920,000	-	0.095	November 29, 2021
4,590,000	**2,100,000**		

On November 29, 2016, the shareholders of the Corporation renewed the stock option plan which provides that 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.

On November 29, 2016, the Corporation granted to its directors, officers, employees and consultants 1,920,000 options exercisable at $0.095, valid for 5 years. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $132,480 for an estimated fair value of $0.069 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 112% expected volatility, 0.55% risk-free interest rate and 3.75 years options expected life. This 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.

11. NON CONTROLLING INTEREST

On June 3, 2016, the Corporation concluded a subscription agreement with two institutional investors, Société de dévelopement de la Baie-James ("SDBJ") and the Administration régionale Baie-James ("ARBJ") to finance the development of the process prototype to separate mixed rare earth elements concentrate into pure individual rare earth oxides. Each institutional investor invested $125,000 for 2 shares in Innord, for a total of $250,000. As a result, the Corporation now owns 96.16% of Innord.

The institutional investors were granted different options to exchange their shares according to different outcomes relating to the phase 1A of the rare earth separation process, at the latest January 1, 2018. The options are as follow:

- If the phase 1A conclusion is positive, the investors can request the Corporation to buy back 50% of the shares for a total of $250,000 cash;
- If the phase 1A conclusion is negative or the separation process is sold or a change of control of the Corporation occurs, the investors can request the Corporation to buy back 100% of the shares by issuing its own shares for a value of $500,000; and

11. NON CONTROLLING INTEREST (CONT'D)

- If there is no economic benefits (no processing plant built on the James Bay territory or no announcement of Montviel mine at the latest June 3, 2021), the investors can request the Corporation to buy back 100% of the shares for a total of $500,000 cash, or to buy back 100% of the shares by issuing its own shares for a value of $500,000.

The positive conclusion of phase 1A is defined as follows: to reach a capacity of one kilogram per day for the rare earth separation process.

Not controlling the outcome of phase 1A, the Corporation recorded a $500,000 liability related to share exchange rights corresponding to the option where the investors would exchange their shares in Innord against shares of the Corporation.

	TSix months ended November 30, 2016
	$
Balance beginning	-
Exchange options granted to SDBJ and ARBJ	500,000
Initial discounting using a rate of 8 %	(57,276)
	442,724
Accretion for the period	17 126
Liability related to exchange rights	**459,850**

The difference between the total investment in Innord of $250,000 and the non-controlling interest of 3.84% established at $7,986 was recorded as a gain on dilution reducing directly the deficit in the equity attributable to the Corporation.

12. EXPLORATION AND EVALUATION EXPENSES

	Three months ended		**Six months ended**	
	November 30, 2016	**November 30, 2015**	**November 30, 2016**	**November 30, 2015**
	$	**$**	**$**	**$**
Salaries, geology and prospection	38,929	99,171	86,871	209,205
Lodging and travel expenses	3,310	27,137	10,079	62,790
Analysis	9,204	30,190	11,156	49,502
Drilling	-	-	-	9,900
Geophysics	21,299	14,320	21,299	23,437
Supplies and equipment	1,963	2,562	4,358	13,378
Taxes, permits and insurance	46	2,123	988	2,176
Exploration and evaluation expenses before tax credits	74,751	175,503	134,751	370,388
Tax credits	-	-	-	-
	74,751	175,503	134,751	370,388
Transfer to discontinued operations	(62,294)	(175,503)	(105,246)	(370 388)
Exploration and evaluation expenses	**12,457**	**-**	**29,505**	**-**

13. SUBSEQUENT EVENT

On December 7, 2016, the Corporation issued 774,337 shares at a price of $0.085 for a total value of $65,819 $ and paid an amount of $15,000 as part of a settlement with a former senior officer.