

GEOMEGA RESOURCES INC.

(an exploration stage company)

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

AUGUST 31, 2011

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The attached interim financial statements have been prepared by Geomega Resources Inc. and its external auditors have not reviewed these unaudited financial statements.

GEOMEGA RESOURCES INC.
Interim Statement of Financial Position (unaudited)

(Canadian dollars)

	Notes	August 31 2011 \$	May 31 2011 \$	June 1 2010 \$
ASSETS				
Current				
Cash and cash equivalents	6	1 082 276	46 952	89 854
Investments	7	4 006 679	1 816 776	-
Other receivable	8	309 293	287 954	1 762
Tax credit and credit on duties receivable		1 249 340	893 516	-
Prepaid expenses and deposit		43 819	100 670	3 500
		6 691 407	3 145 868	95 116
Non-current				
Exploration and evaluation assets	9	9 396 519	8 782 692	116 953
Property and equipment	10	449 111	50 687	-
Other assets		-	53 915	-
		9 845 630	8 887 294	116 953
Total assets		16 537 037	12 033 162	212 069
LIABILITIES				
Current				
Trade and other payables	12	377 555	383 377	12 865
Current portion of obligations under capital leases	13	192 581	-	-
		570 136	383 377	12 865
Non-current				
Obligations under capital leases	13	139 073	-	-
Total liabilities		709 209	383 377	12 865
EQUITY				
Share capital	14.1	15 803 245	11 870 947	330 002
Contributed surplus		1 330 556	767 654	0
Deficit		(1 305 973)	(988 816)	(130 798)
Total equity		15 827 828	11 649 785	199 204
Total liabilities and equity		16 537 037	12 033 162	212 069

Going concern assumption (see note 2)

The accompanying notes are an integral part of the interim financial statements

These financial statements were approved and authorized for issue by the Board of Directors on November 24, 2011

(signed) Simon Britt
 Simon Britt
 Director

(signed) Mario Spino
 Mario Spino
 Director

GEOMEGA RESOURCES INC.

Interim Statement of Earnings and Comprehensive loss (unaudited)

(Canadian dollars)

	Notes	Three-month period ended	
		August 31	
		2011	2010
		\$	\$
EXPENSES			
Publicity, travel and promotion		123 944	746
Salaries and employee benefits expense	15.1	104 274	19 687
Professional fees		42 411	25 606
Trustees, registration fees and shareholders relations		16 129	850
Offices expenses		13 014	2 737
Rent		6 473	-
Insurance, taxes and permits		2 171	-
Bad debts		11 425	-
Bank charges		938	126
Depreciation of property and equipment		5 017	204
OPERATING LOSS		325 796	49 956
OTHER REVENUES AND EXPENSES			
Finance income	17	10 713	-
Interest on obligations under capital leases		(2 074)	-
		8 639	-
NET LOSS AND COMPREHENSIVE LOSS		(317 157)	(49 956)
NET LOSS PER SHARE			
Basic and diluted loss per share	18	(0.02)	(0.02)

The accompanying notes are an integral part of the interim financial statements

GEOMEGA RESOURCES INC.

Interim Statement of Changes in Equity (unaudited)

(Canadian dollars)

	Note	Share capital	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$
Balance at June 1, 2010		330 002	-	(130 798)	199 204
Net loss and comprehensive loss for the period		-	-	(858 018)	(858 018)
Share-based payments		-	364 000	-	364 000
Private placements		1 131 849	28 400	-	1 160 249
Initial public offering		2 573 000	398 400	-	2 971 400
Share issue expenses		(467 469)	-	-	(467 469)
Exercise of warrants		1 033 565	(131 246)	-	902 319
Exercise of options		289 750	(123 500)	-	166 250
Exercise of brokers' options		211 650	(66 400)	-	145 250
Shares issued for the acquisition of exploration and evaluation assets		6 768 600	298 000	-	7 066 600
Balance at May 31, 2011		11 870 947	767 654	(988 816)	11 649 785
Balance at June 1, 2010		330 002	-	(130 798)	199 204
Net loss and comprehensive loss for the period		-	-	(49 956)	(49 956)
Private placements		95 850	28 400	-	124 250
Shares issued for the acquisition of exploration and evaluation assets		70 000	-	-	70 000
Balance at August 31, 2010		495 852	28 400	(180 754)	343 498
Balance at June 1, 2011		11 870 947	767 654	(988 816)	11 649 785
Net loss and comprehensive loss for the period		-	-	(317 157)	(317 157)
Share-based payments	15.2	-	45 383	-	45 383
Units issued by private placement	14.1	4 999 999	518 787	-	5 518 786
Share issue expenses	14.1	(1 137 694)	-	-	(1 137 694)
Exercise of warrants	14.1	69 993	(1 268)	-	68 725
Balance at August 31, 2011		15 803 245	1 330 556	(1 305 973)	15 827 828

The accompanying notes are an integral part of the interim financial statements

GEOMEGA RESOURCES INC.
Interim Statement of Cash Flows (unaudited)

(Canadian dollars)

	Notes	Three-month period ended	
		August 31	
		2011	2010
		\$	\$
OPERATING ACTIVITIES			
Net loss		(317 157)	(49 956)
Adjustments			
Share-based payments		32 417	-
Depreciation of property and equipment		5 017	204
Changes in working capital items	19	29 690	(57 834)
Cash flows from operating activities		<u>(250 033)</u>	<u>(107 586)</u>
INVESTING ACTIVITIES			
Investments redeemed		1 820 810	-
Investments		(4 010 713)	-
Additions of property and equipment		(19 959)	(1 235)
Additions to exploration and evaluation assets		(936 482)	(83 253)
Cash flows from investing activities		<u>(3 146 344)</u>	<u>(84 488)</u>
FINANCING ACTIVITIES			
Issuance of units by private placement		4 999 999	124 250
Issuance cost of shares		(564 992)	-
Exercise of warrants		68 725	-
Payments on obligations under capital leases		(72 031)	-
Cash flows from financing activities		<u>4 431 701</u>	<u>124 250</u>
Net change in cash and cash equivalents		1 035 324	(67 824)
Cash and cash equivalents, beginning of period		46 952	89 854
Cash and cash equivalents, end of period		<u>1 082 276</u>	<u>22 030</u>
Cash transactions:			
Interest received (investing activities)		7 817	-
Interest paid (financing activities)		2 074	-

The accompanying notes are an integral part of the interim financial statements

GEOMEGA RESOURCES INC.

Notes to Interim Financial Statements

For the three-month period ended August 31, 2011 (unaudited)

(Canadian dollars)

1. NATURE OF OPERATIONS

Geomega Resources Inc. (the "Company"), is an exploration company with activities in Canada.

2. GOING CONCERN ASSUMPTION

The financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. As at August 31, 2011, the Company has a negative cumulated retained deficit of \$1,305,973 (\$988,816 as at May 31, 2011). These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

In July 2011, the Company has completed a private placement for a total amount of \$5MM. See details in Note 14.1.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

These interim financial statements of the Company were prepared in accordance with IFRS. As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with IAS 34, *Interim Financial Reporting* and by IFRS 1, *First-time Adoption of IFRS*.

The Company is incorporated under the Canada Business Corporations Act. The address of the Company's registered office and its principal place of business is 475, Victoria ave, Saint-Lambert, Quebec, Canada. The Company's shares are listed on the TSX Venture Exchange.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations and first-time adoption of IFRS

The financial statements have been prepared using accounting policies specified by those IFRS that will be in effect at the end of the year-end May 31, 2012.

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

These accounting policies have been used throughout all periods presented in the financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Company and the effects of transition to IFRS are presented in Note 21.

4.2 Basis of evaluation

These interim financial statements are prepared using the historical cost method.

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

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 Company.

GEOMEGA RESOURCES INC.

Notes to Interim Financial Statements

For the three-month period ended August 31, 2011 (unaudited)

(Canadian dollars)

4.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company'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 Company's financial statements.

The IASB (International Accounting Standards Board) aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

IFRS 13 Fair Value Measurement: This new standard is meant to clarify the definition of fair value, provide guidance on measuring fair value and improve disclosure requirements related to fair value measurement. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company.

4.4 Presentation of financial statements in accordance with IAS 1

In accordance with IFRS 1, First-time adoption of international financial reporting standards, the Company presents three statements of financial position in its first IFRS financial statements. In future periods, IAS 1 requires two comparative periods to be presented for the statement of financial position only in certain circumstances.

4.5 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets are classified in the category *Loan and receivables* upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Finance income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, the advance to a former employee and suppliers and guaranteed investment certificates fall into this category of financial instruments.

GEOMEGA RESOURCES INC.

Notes to Interim Financial Statements

For the three-month period ended August 31, 2011 (unaudited)

(Canadian dollars)

4.5 Financial instruments (continued)

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is presented in profit or loss within Bad debts expenses.

Financial liabilities

The Company's financial liabilities include trade accounts and the obligation under capital leases.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs when applicable.

4.6 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to common shares holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common shares holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into common shares at the beginning of the period or, if later, at the date of issue of the potential common shares.

For the purpose of calculating diluted loss per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of common shares at the average market price of common shares during the period. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options and warrants as explained in Note 18.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments with original maturities of three months or less, and that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.8 Tax credits and credit on duties

Tax credits

The Company is entitled to a refundable tax credit on qualified expenditures incurred. The refundable tax credit may reach 35% or 38.75% of qualified exploration expenditure incurred. In accordance with IAS 20, the exploration tax credits have been applied against the costs incurred.

Credit on duties

The Company is entitled to a refundable credit on duties for losses under the *Mining Duties Act*. This refundable credit on duties for losses is applicable on exploration costs incurred in the Province of Quebec at a rate of 15%. In accordance with IAS 20, the credit on duties has been applied against the cost incurred since the Company intends to realize the value of its exploration and evaluation assets through sale.

GEOMEGA RESOURCES INC.

Notes to Interim Financial Statements

For the three-month period ended August 31, 2011 (unaudited)

(Canadian dollars)

4.9 Exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties, less refundable tax credits and credits on duties related to these expenses, are capitalized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a project is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are transferred to Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

To date, no technical feasibility and no commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, however these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

4.10 Property and equipment

Property and equipment are held at cost less accumulated depreciation and amortization, and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Upon the transfer of exploration and evaluation assets to property and equipment under *Mining assets under construction*, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within *Mining assets under construction*. When development stage is completed, all assets included in the mining assets under construction category are then transferred to *Mining assets*.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The periods generally applicable are as follows:

	<u>Useful life</u>
Office equipment	3 years
Automobile	3 years
Leasehold improvements	3 years
Field equipment and base camp related to exploration and evaluation	3 years

The amortization expense for each period is recognized in profit or loss except for certain items of property and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project. 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.

GEOMEGA RESOURCES INC.

Notes to Interim Financial Statements

For the three-month period ended August 31, 2011 (unaudited)

(Canadian dollars)

4.10 Property and equipment (continued)

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

4.11 Operating lease agreement

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged to income as incurred.

Leases of equipment or base camp for which the Company has substantially all the risks and rewards of ownership are classified as finance leases and are capitalized at the lease's commencement.

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease as the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Depreciation methods and useful lives for assets held under finance lease agreements, correspond to those applied to comparable assets which are legally owned by the Company. The corresponding finance charges, which are expensed as part of finance costs.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

4.12 Impairment of exploration and evaluation assets and property and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

The impairment loss reduces the asset or is charged pro rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.13 Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

GEOMEGA RESOURCES INC.

Notes to Interim Financial Statements

For the three-month period ended August 31, 2011 (unaudited)

(Canadian dollars)

4.13 Provisions, contingent liabilities and contingent assets (continued)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted when the time value of money is significant.

The Company'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 Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible, given that the Company's operations are still in the exploration and evaluation stage, and are capitalized to the cost of exploration and evaluation assets as incurred. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive 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.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible inflows of economic benefits to the Company 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.

4.14 Employee benefits

A defined contribution plan is a pension plan under which the Company pays fixed contributions to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contributions. The Company contributes to several state plans for individual employees, that are considered defined contribution plans. Contributions to the plans are recognized as an expense in the period that relevant employee services are rendered.

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

4.15 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

GEOMEGA RESOURCES INC.

Notes to Interim Financial Statements

For the three-month period ended August 31, 2011 (unaudited)

(Canadian dollars)

4.15 Income taxes (continued)

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has renounced to its tax deductions and has incurred its admissible expenditures, the sale of tax deductions is recognized in profit or loss as a reduction to deferred tax expense and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of admissible expenditures capitalized as an asset and its tax base.

4.16 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.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Issuance of flow-through shares represents an issue of common shares and the sale of tax deductions to the investors. The sale of tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between share capital and the liability using the residual method which means that the shares are valued at the fair value of existing shares at the time of issuance and the residual proceeds are allocated to the liability. The liability component recorded initially on the issuance of shares is reversed on renouncement of tax deductions to the investors and when admissible expenses are incurred.

Other elements of equity

Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised.

Retained deficit includes all current and prior period retained profits or losses.

4.17 Equity-settled share-based payments

The Company operates equity-settled share-based remuneration plans (share options plans) for its eligible directors, officers, employees and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

GEOMEGA RESOURCES INC.

Notes to Interim Financial Statements

For the three-month period ended August 31, 2011 (unaudited)

(Canadian dollars)

4.17 Equity-settled share-based payments (continued)

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 expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in contributed surplus are then transferred to share capital.

4.18 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the President and the Board of Directors. The President and the Board of Directors have joint responsibility for allocating resources to the Company's operating segments and assessing their performance.

The Company has determined that there was only one operating segment: Sector of exploration and evaluation of mineral resources.

4.19 Functional currency

The interim financial statements are presented in Canadian currency, which is also the functional currency of the Company.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Technical feasibility and commercial viability of the exploration and evaluation assets

Decisions regarding the technical feasibility and commercial viability of the exploration and evaluation assets involves a number of assumptions, such as estimated reserves, resource price forecasts, expected production volumes and discount rates, which could all change significantly in the future.

Impairment of property and equipment and exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires considerable management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Group's assets and earnings may occur during the next period. No impairment losses has been recognized for the reporting periods.

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5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)

Deferred taxes

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Further information regarding going concern is outlined in Note 2.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

6. CASH AND CASH EQUIVALENTS

	<u>August 31, 2011</u>	<u>May 31, 2011</u>	<u>June 1, 2010</u>
	\$	\$	\$
Cash at bank and in hand	19 283	46 952	89 854
Term deposits	1 062 993	-	-
	<u>1 082 276</u>	<u>46 952</u>	<u>89 854</u>

As at August 31, 2011, cash and cash equivalents include term deposits bearing interest at 1.4% maturing between September 1, 2011 and November 30, 2011. These instruments are cashable anytime without any penalties.

7. INVESTMENTS

	<u>August 31, 2011</u>	<u>May 31, 2011</u>	<u>June 1, 2010</u>
	\$	\$	\$
Guaranteed investment certificates	<u>4 006 679</u>	<u>1 816 776</u>	<u>-</u>

As of August 31, 2011, short term investments include guaranteed term deposits from a Canadian financial institution cashable at any time before the maturity date of July 11, 2012. These investments bear interest at an annual rate of 1.15% .

8. OTHERS RECEIVABLE

	<u>August 31, 2011</u>	<u>May 31, 2011</u>	<u>June 1, 2010</u>
	\$	\$	\$
Goods and services tax receivable	309 177	147 242	1 762
Advance to a former employee without interest, due on demand	-	11 425	-
Advance to suppliers, without interest, due on demand	116	129 287	-
	<u>309 293</u>	<u>287 954</u>	<u>1 762</u>

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9. EXPLORATION AND EVALUATION ASSETS

MINING RIGHTS

	May 31, 2011	Additions	August 31, 2011
QUEBEC	\$	\$	\$
Montviel (i)	6 812 129	100	6 812 229
Pump Lake (ii)	263 000	14 271	277 271
Sydney (iii)	11 655	-	11 655
Émilie (iv)	166 018	240	166 258
Oriana (v)	89 192	-	89 192
Others (vi)	54 966	9 275	64 241
	7 396 960	23 886	7 420 846

EXPLORATION AND EVALUATION

	May 31, 2011	Additions	Tax credits and credit on duties	August 31, 2011
QUEBEC	\$	\$	\$	\$
Montviel (i)	1 247 737	565 943	(212 924)	1 600 756
Pump Lake (ii)	75 697	150 262	(56 533)	169 426
Sydney (iii)	4 140	55 661	(20 941)	38 860
Others (vi)	58 158	173 898	(65 425)	166 631
	1 385 732	945 764	(355 823)	1 975 673
TOTAL	8 782 692	969 650	(355 823)	9 396 519

Montviel and Pump Lake properties

Effective September 30, 2010, the Company holds an agreement with NioGold Mining Corporation ("NioGold") which gives the Company an option to earn up to seventy five percent (75%) interest in the Montviel and Pump Lake properties (the "Properties") by making a cash payment of \$100,000 (paid) and by issuing 1,500,000 shares (1,100,000 issued to date - value of \$385,000) of the Company over a three-year period and incurring at least \$3,350,000 in exploration expenditures over four years.

On May 2, 2011, the above agreement was amended as follows: The Company immediately acquires a 100% interest in the Montviel property by issuing 1,525,000 common shares (value of \$5,368,000) to NioGold and NioGold will retain a 2% net output return royalty on the future production of the Montviel property. In addition, the Company will, upon securing 70% of the capital requirements for commercial production for the Montviel property, pay to NioGold \$4,500,000 in cash or common shares, at the option of NioGold, which amount shall be treated as a non-refundable advance royalty payment.

As for the Pump Lake Property, the Company can acquire a 75% interest in the property by incurring an aggregate of \$400,000 in exploration expenditures on or before September 30, 2014. Upon completion of these expenditures, the Company will have the option to either abandon the property or form a joint venture with NioGold. Upon formation of the joint venture, the Company will have the option to acquire the remaining 25% of the Pump Lake Property by paying to NioGold \$7,500,000 in cash or common shares and granting a 1% net output return royalty on the future production of the property, of which the Company may buy back one-half for \$500,000.

i) Montviel property

Geographically, the property is located in Montviel township, approximately 215 km north of Val-d'Or, where services and manpower are available. The property is easily accessible via a network of logging roads, after a 60 km drive from highway 113, which connects Val d'Or and Chibougamau. The Montviel property comprises a total of 216 mining claims for 11,998 ha.

ii) Pump Lake property

Geographically, the property is located approximately 110km north of Mont-Laurier, where services and manpower are available. The property is easily accessible by road from Ste-Anne-du-Lac. The Pump Lake property comprises a total 414 mining claims for 23,869 ha. The property is subject to a 2% Net Smelter Return, of which one percent (1%) can be bought back for \$1,000,000.

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9. EXPLORATION AND EVALUATION ASSETS (continued)

iii) Sydney property (100%)

Geographically, the property is located approximately 100 km North of St-Michel des Saints, where services and manpower are available. The property is easily accessible via gravel roads. The Sydney property comprises a total 200 mining claims for 11,594 ha.

iv) Émilie property

100% interest

Geographically, the property is located approximately 30 km east of the town of Lebel-sur-Quevillon in the Abitibi region, where services and manpower are available. The Émilie property comprises a total 61 mining claims for 3,127 ha.

Extension option

On March 11, 2011, the Company optioned 16 mining claims adjacent to the 61 mining claims it already possessed for a total of \$163,100 payable as follows: \$7,500 in cash and 40,000 common shares in the Company at a price of \$3.89 per share (value of \$155,600). The Company shall also issue 40,000 common shares on March 29, 2012 to complete the acquisition.

v) Oriana property (100% interest)

Geographically, the property is located approximately 20 km west of the town of Chapais in the Abitibi area, where services and manpower are available. The Oriana property comprises a total of 270 mining claims for 15,014 ha.

vi) Others (100% interest)

These 16 properties were acquired by map designation and are located in the Montviel property area.

10. PROPERTY AND EQUIPEMENT

	Leasehold Improvements	Office equipment	Exploration and evaluation equipment (note)			Total
			Automobile	Field equipment	Base camp	
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance, June 1, 2011	2 350	19 296	35 130	4 175	-	60 951
Additions	-	3 432	-	51 393	368 819	423 644
Balance, August 31, 2011	<u>2 350</u>	<u>22 728</u>	<u>35 130</u>	<u>55 568</u>	<u>368 819</u>	<u>484 595</u>
Accumulated depreciation						
Balance, June 1, 2011	522	4 165	5 577	-	-	10 264
Depreciation	196	1 894	2 928	1 367	18 835	25 220
Balance, August 31, 2011	<u>718</u>	<u>6 059</u>	<u>8 505</u>	<u>1 367</u>	<u>18 835</u>	<u>35 484</u>
Carrying amount at August 31, 2011	<u>1 632</u>	<u>16 669</u>	<u>26 625</u>	<u>54 201</u>	<u>349 984</u>	<u>449 111</u>

Note: Included in Property and Equipment there are Exploration and evaluation equipment under finance lease having book value of \$384,197 as at August 31, 2011.

Depreciation expense is included in the account *Depreciation of property and equipment* and depreciation charges related to specific exploration projects are capitalized as *Exploration and evaluation assets*. An amount of \$5,017 was registered as an expense while an amount of \$20,202 was capitalized as Exploration and evaluation assets during the period.

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11. LEASES

The Company's future minimum operating lease payments are as follows:

	Minimum lease payments due			Total
	Within 1 year	1 to 5 years	After 5 years	
	\$	\$	\$	\$
August 31, 2011	26 603	29 690	-	56 293
May 31, 2011	26 409	36 357	-	62 766
June 1, 2010	-	-	-	-

The Company leases its offices under a lease expiring in September 2013.

Lease payments recognized as an expense during the reporting period amount to \$6,473 (\$0 in 2010). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. The Group's operating lease agreements do not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

12. TRADE AND OTHER PAYABLES

	August 31, 2011	May 31, 2011	June 1, 2010
	\$	\$	\$
Trade accounts	332 395	164 305	12 865
Credit cards	10 681	25 757	-
Payroll deduction at source	34 479	26 893	-
Accrued	-	166 422	-
	<u>377 555</u>	<u>383 377</u>	<u>12 865</u>

13. OBLIGATIONS UNDER CAPITAL LEASES

	August 31, 2011	May 31, 2011	June 1, 2010
	\$	\$	\$
Obligation under capital lease (equipment), 25,86%, reimbursable in monthly instalments, maturing in January 2012	41 000	-	-
Obligation under capital lease (Base camp), 8%, reimbursable in monthly instalments, maturing in May 2013	104 820	-	-
Obligation under capital lease, 11% (Base camp), reimbursable in monthly instalments, maturing in July 2013	185 834	-	-
	<u>331 654</u>	-	-
Current portion of obligations under capital leases	192 581	-	-
Non-current portion	139 073	-	-

The instalments on the obligation under capital leases for the next years are as follows:

	\$
2012	175 951
2013	173 801
2014	15 250
	<u>365 002</u>
Interest included in minimum lease payments	(33 348)
	<u>331 654</u>

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14 Equity

14.1 Share capital

Authorized

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

	Number of shares			
	Three-month period ended		Year ended	
	August 31, 2011	August 31, 2010	May 31, 2011	May 31, 2010
Shares issued at the beginning	19 561 690	4 200 001	4 200 001	2 500 001
Private placement (a)	2 127 659	355 000	1 466 110	-
Public offering	-	-	8 300 000	800 000
Acquisition of mining rights	-	200 000	3 065 000	900 000
Exercise of options	-	-	475 000	-
Exercise of brokers' options	-	-	415 000	-
Exercise of warrants	60 300	-	1 640 579	-
Total shares issued at the end	<u>21 749 649</u>	<u>4 755 001</u>	<u>19 561 690</u>	<u>4 200 001</u>

- (a) On July 8, 2011, the Company issued through brokers 2,127,659 units at a price of \$2.35 per unit for total gross proceeds of \$4,999,999. Issuance costs totaling \$1,137,694 (including an amount of \$518,787 representing the value of brokers' options, see Note 14.3) were recorded as a reduction of share capital. Each unit consists of one common share and one warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of \$2.85 until July 8, 2013. A sum of \$4,999,999 was allocated to capital stock while no value was allocated to the warrants. The Company paid to the brokers a remuneration of \$328,781 and issued 134,750 options to brokers allowing them to acquire 134,750 units until July 8, 2013. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$ 2.85 until July 8, 2013.

14.2 Warrants

Outstanding warrants as at August 31, 2011 entitle their holders to subscribe to an equivalent number of common shares, as follows:

	Number of warrants	Weighted average exercise price
Balance, beginning of reported period	3 619 975	\$0.95
Issued	2 127 659	\$2.85
Exercised	(60 300)	\$1.14
Balance, end of reporting period	<u>5 687 334</u>	<u>\$1.65</u>

The number of outstanding warrants which could be exercised for an equivalent number of ordinary shares is as follows:

<u>Expiration date</u>	<u>Number</u>	<u>Exercise price</u>
January 2012	355 000	\$ 0.55
March 2012	2 206 071	0.55
April 2012	287 500	0.55
July 2012	455 549	1.35
August 2012	55 555	1.35
September 2012	200 000	5.50
July 2013	<u>2 127 659</u>	<u>2.85</u>
	<u>5 687 334</u>	

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14.3 Brokers' options

The number of outstanding Brokers' options August 31, 2011 which could be exercised for an equivalent number of units is as follows:

	Number of Brokers' options	Weighted average exercise price
Balance, beginning of reported period	-	-
Issued	134 750	\$2.85
Balance, end of reporting period	134 750	\$2.85

In connection with the private placement in July 2011, the Company issued 134,750 Brokers' options to brokers allowing them to acquire 134,750 units until July 8, 2013. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$ 2.85 until July 8, 2013.

For the reporting period ended August 31, 2011, the Company recorded \$518,787 as issuance cost of shareholders' equity instruments when the options were issued to the brokers related to the private placement in July 2011. When granted, the fair value of the warrants, based on the fair value measured, indirectly, by reference to the fair value of the equity instruments granted (the fair value of services received cannot be estimated reliably), is recorded as an increase of the contributed surplus and decrease of share capital.

The average fair value of the brokers' options granted of \$3.85 each option for a total of \$518,787 was estimated using the Binomial option pricing model and based on the following weighted average assumptions:

Average share price at date of grant	\$3.29
Dividends yield	0%
Expected weighted volatility	100%
Risk-free interest average rate	1.66%
Expected average life	2 years
Average exercise price at date of grant	\$2.85

15. EMPLOYEE REMUNERATION

15.1 Salaries and employee benefits expense

	Three-month period ended August 31	
	2011	2010
	\$	\$
Wages, salaries	221 405	18 500
Professional fee paid to an officer	32 225	-
Social security costs	10 501	547
Share-based payments	45 383	-
Defined contribution State plans	9 449	640
	<u>318 963</u>	<u>19 687</u>
Less: Salaries capitalized in Exploration and evaluation assets	(201 722)	-
Less: Share-based payments capitalized in Exploration and evaluation assets	(12 967)	-
Salaries and employee benefits expense	<u>104 274</u>	<u>19 687</u>

15.2 Share-based payments

The Company has established a stock option plan ("the plan") whereby the Board of Directors may from time to time grant options to purchase common shares to employees, officers, directors and consultants, for such terms and at such exercise prices as may be determined by the Board in accordance with the terms of the plan.

The plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance under the stock option plan is limited to a maximum of 10% of the common shares outstanding and the maximum number of common shares which may be reserved for issuance to any one optionee may not exceed 5% of the common shares outstanding at the date of grant. These options may be exercised for a period of 5 years after the grant date and are granted vest gradually over a period of 24 months from the day of grant, at a rate of 1/4 per six-month period.

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15.2 Share-based payments (continued)

The option's exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

On June 22, 2011, the Company granted to an officer a total of 220,000 stock options that may be exercised over a period of five years, at an exercise price of \$2.70.

On August 29, 2011, the Company granted to an employee a total of 150,000 stock options that may be exercised over a period of five years, at an exercise price of \$2.05.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options. The Company's share options are as follows for the reporting periods presented:

	Options	Weighted average exercise price
Outstanding as at May 31, 2011	1 145 000	0.67
Granted	370 000	2.45
Outstanding as at August 31, 2011	1 515 000	1.10

The table below summarizes the information related to share options as at August 31, 2011:

Range of exercise price \$	Outstanding options			Exercisable options	
	Number of options	Weighted average exercise price	Remaining life (years)	Number of options	Weighted average exercise price
0.10 to 1.00	1 065 000	\$ 0.42	3.83	960 000	\$ 0.37
1.01 to 2.00	-	-	-	-	-
2.01 to 3.00	370 000	2.45	4.90	-	-
3.01 to 4.00	80 000	3.90	4.58	-	-
	<u>1 515 000</u>	1.10		<u>960 000</u>	0.37

The fair value of these options of \$1.65 during the first quarter (\$0.41 per option issued in 2010) was estimated using the Black-Scholes stock option pricing model with the following weighted average assumptions:

	Exercise ended May 31	
	<u>2012</u>	<u>2011</u>
Average share price at date of grant	\$2.45	\$0.57
Dividends yield	0%	0%
Expected weighted volatility	100%	100%
Risk-free interest average rate	1.5%	1.7%
Expected average life	3.75 years	4.83 years
Average exercise price at date of grant	\$2.45	\$0.57

The underlying expected volatility was determined by reference to historical data of Company's shares over a period of time since its listing on the TSX Venture Exchange. However, for the first year, the Company decided to have a maximum volatility of 100%. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, \$45,383 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss (\$32,417) and capitalized in Exploration and evaluation assets (\$12,966) for the three-month period ended August 31, 2011 (\$0 for the three-month period ended August 31, 2010) and credited to Contributed surplus.

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16. FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the consolidated statement of financial position are as follows:

	August 31, 2011		May 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
<i>Loans and receivables</i>				
Cash and cash equivalents	1 082 679	1 082 276	46 952	46 952
Guaranteed investment certificates	4 006 679	4 006 679	1 816 776	1 816 776
Advance to a former employee	-	-	11 425	11 425
Advance to suppliers	116	116	129 287	129 287
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	377 555	377 555	383 377	383 377
Obligations under capital leases	331 654	331 654	-	-
			June 1, 2010	
			Carrying amount	Fair value
			\$	\$
Financial assets				
<i>Loans and receivables</i>				
Cash and cash equivalents			89 854	89 854
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables			12 865	12 865

The carrying value of cash and cash equivalents, guaranteed investment certificates, trade accounts, account payable to a mining company and other liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

See Note 4.5 for a description of the accounting policies for each category of financial instruments.

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

There have been no significant transfers between Levels 1 and 2 in the reporting periods.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

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17. FINANCE INCOME

	Three-month period ended August 31,	
	2011	2010
	\$	\$
Interest income from guaranteed investment certificates	10 713	-

18. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential common shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 14.2, 14.3 and 15.2.

	August 31,	
	2011	2010
Net loss	\$(317,157)	\$(49,956)
Weighted average number of shares in circulation	20 873 207	2 671 729
Basic and diluted loss per share	\$(0.02)	\$(0.02)

There have been no other transactions involving ordinary shares between the reporting date and the date of authorization of these financial statements except the issue in September 2011 of 400,000 common shares following an exercised options. This issue of shares does not change the results above.

19. ADDITIONAL INFORMATIONS – CASH FLOWS

The changes in working capital items are detailed as follows:

	Three-month period ended August 31,	
	2011	2010
	\$	\$
Other receivable	(21 339)	(60 100)
Prepaid expenses and deposit	56 851	(73 129)
Trade and other payables	(5 822)	75 395
	29 690	(57 834)

20. RELATED PARTY TRANSACTIONS

20.1 Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors, as well as the president, the chief of finance, the secretary and the vice-president, exploration. Key management personnel remuneration includes the following expenses:

	Three-month period ended August 31,	
	2011	2010
	\$	\$
Short-term employee benefits		
Salaries including bonuses and benefits	50 965	18 500
Professional fees	32 225	-
Social security costs	3 141	1 188
Total short-term employee benefits	86 331	19 688
Share-based payments	32 417	-
Total remuneration	118 748	19 688

An important part of the remuneration of the Vice-President, Exploration has been allocated to *Exploration and evaluation assets*.

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21. FIRST-TIME ADOPTION OF IFRS

These are the Company's first interim financial statements prepared in accordance with IFRS. The date of transition to IFRS is June 1, 2010.

The Company's IFRS accounting policies presented in Note 4 have been applied in preparing the financial statements for the reporting period ended August 31, 2011, the comparative information and the opening statement of financial position at the date of transition.

The Company has applied IFRS 1 in preparing these first IFRS financial statements. The effects of the transition to IFRS on equity, total comprehensive loss and reported cash flows already established are presented in this section and are further explained in the notes that accompany the tables.

21.1 First-time adoption – exemptions applied

Upon transition, IFRS 1 dictate certain mandatory exceptions and certain optional exemptions from full retrospective application. The exceptions and exemptions adopted by the Company are set out below:

Mandatory exceptions

The estimates established by the Group in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.

Financial assets liabilities that were derecognised before June 1, 2010 as per the previous GAAP, have not been accounted for under IFRS. The Company has applied the IFRS amendment in advance at the date of application of the exception, June 1, 2010.

Optional exemption

The Company has chosen not to apply IFRS 2, Share-based Payment, retrospectively to options granted on or before November 7, 2002 or granted after November 7, 2002 and vested before the date of transition to IFRS.

21.2 Reconciliation of equity

Since the company began its exploration operations after the transition date and that its corporate structure was established after the transition date, no differences were found in the reconciliation between the accounting standards in force before the changeover and the new standards.

	<u>July 1, 2010</u>	<u>May 31, 2011</u>
	\$	\$
Equity under pre-change accounting standards	199 204	11 649 785
Variation in equity reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS	<u>-</u>	<u>-</u>
Equity under IFRS	<u>199 204</u>	<u>11 649 785</u>

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21.3 Reconciliation of comprehensive loss

Since the company began its exploration operations after the transition date and that its corporate structure was established after the transition date, no differences were found in the reconciliation between the accounting standards in force before the changeover and the new standards.

	May 31, 2011 12 months	August 31, 2010 3 months
	<u>\$</u>	<u>\$</u>
Comprehensive loss under pre-change accounting standards	(858 018)	(49 210)
Variation Comprehensive loss reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS	<u>-</u>	<u>-</u>
Comprehensive loss under IFRS	<u>(858 018)</u>	<u>(49 210)</u>

21.4 Presentation differences

Certain presentation differences between pre-change accounting standards and IFRS have no impact on reported loss or total equity.

As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to pre-change accounting standards, although the assets and liabilities included in these line items are unaffected.

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21.4 Presentation differences (continued)

The following table shows the total effect of the transition on the statement of financial position as at May 31, 2011:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	May 31, 2011		IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	
		\$	\$	\$
ASSETS				ASSETS
Current assets				Current
Cash		46 952		Cash and cash equivalents
Investments		1 816 776		Investments
Amounts receivable	a	1 181 470	(893 516)	Others receivable
	a		893 516	Tax credit and credit on duties receivable
Prepaid expenses		100 670		Prepaid expenses and deposit
		<u>3 145 868</u>		<u>3 145 868</u>
				Non-current
Property and equipment		50 687		Property and equipment
Mineral Properties and Deferred exploration expenses		8 782 692		Exploration and evaluation assets
Other assets		53 915		Other assets
		<u>12 033 162</u>		<u>12 033 162</u>
LIABILITIES				LIABILITIES
Current liabilities				Current
Account payables and accrued liabilities		383 377		Trade and other payables
		<u>383 377</u>		<u>383 377</u>
SHAREHOLDERS' EQUITY				EQUITY
Capital stock		11 870 947		Share capital
Contributed surplus		767 654		Contributed surplus
Deficit		(988 816)		Deficit
		<u>11 649 785</u>		<u>11 649 785</u>
				Total equity
		<u>12 033 162</u>		<u>12 033 162</u>
				Total liabilities and equity

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21.4 Presentation differences (continued)

The following table shows the total effect of the transition on the statement of financial position as at August 31, 2010:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	August 31, 2010		IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	
		\$	\$	\$
ASSETS				ASSETS
Current assets				Current
Cash		22 030		22 030
Amounts receivable		61 862		61 862
Prepaid expenses		76 629		76 629
		<u>160 521</u>		<u>160 521</u>
				Non-current
Property and equipment		1 031		1 031
Mineral Properties and Deferred exploration expenses		270 206		270 206
		<u>431 758</u>		<u>431 758</u>
				Exploration and evaluation assets
LIABILITIES				LIABILITIES
Current liabilities				Current
Account payables and accrued liabilities		88 260		88 260
		<u>88 260</u>		<u>88 260</u>
				Trade and other payables
SHAREHOLDERS' EQUITY				EQUITY
Capital stock		481 652		481 652
Contributed surplus		42 600		42 600
Deficit		(180 754)		(180 754)
		<u>343 498</u>		<u>343 498</u>
				Total equity
		<u>431 758</u>		<u>431 758</u>
				Total liabilities and equity

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21.4 Presentation differences (continued)

The following table shows the total effect of the transition on the statement of financial position as at June 1, 2010:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	June 1, 2010		IFRS DESCRIPTION	
		Previous GAAP	Effect of transition to IFRS		IFRS
		\$	\$	\$	
ASSETS				ASSETS	
Current assets				Current	
Cash		89 854		89 854	Cash and cash equivalents
Amounts receivable		1 762		1 762	Others receivable
Prepaid expenses		3 500		3 500	Prepaid expenses and deposit
		<u>95 116</u>		<u>95 116</u>	
Mineral Properties and					Non-current
Deferred exploration expenses		116 953		116 953	Exploration and evaluation assets
		<u>212 069</u>		<u>212 069</u>	
LIABILITIES					LIABILITIES
Current liabilities					Current
Account payables and accrued liabilities		12 865		12 865	Trade and other payables
SHAREHOLDERS' EQUITY					EQUITY
Capital stock		330 002		330 002	Share capital
Deficit		(130 798)		(130 798)	Deficit
		<u>199 204</u>		<u>199 204</u>	Total equity
		<u>212 069</u>		<u>212 069</u>	Total liabilities and equity

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18.4 Presentation differences (continued)

The following table shows the total effect of the transition on the statement of earnings and comprehensive loss for the year ended May 31, 2011:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	year ended May 31, 2011			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
ADMINISTRATIVE EXPENSES					EXPENSES
Stock-based compensation		364 000	(364 000)		
Professional fees	a	169 996	(86 961)	83 035	Professional fees
Salaries and fringe benefits	a	136 104	450 961	587 065	Salaries and employee benefits expense
Public relations and promotion	a	86 892		86 892	Publicity, travel and promotion
Office expenses		40 285		40 285	Offices expenses
Trustees and registration fees	a	32 342	5 709	38 051	Trustees, registration fees and shareholders relations
Rental expenses		22 029		22 029	Rent
Insurance, taxes and permits		8 599		8 599	Insurance, taxes and permits
Shareholders information	a	5 709	(5 709)	-	
Bank fees and interest		863		863	Bank charges
Amortization of property and equipment		10 264		10 264	Depreciation of property and equipment
		<u>877 083</u>		<u>877 083</u>	OPERATING LOSS
OTHER REVENUES AND EXPENSES					OTHER REVENUES AND EXPENSES
Interest		<u>19 065</u>		<u>19 065</u>	Finance income
Net loss and comprehensive loss		<u>(858 018)</u>		<u>(858 018)</u>	NET LOSS AND COMPREHENSIVE LOSS
Net loss per share - basic and diluted		<u>(0.07)</u>		<u>(0.07)</u>	BASIC AND DILUTED LOSS PER SHARE

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18.4 Presentation differences (continued)

The following table shows the total effect of the transition on the statement of earnings and comprehensive loss for the year ended August 31, 2010:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	Three-month period ended August 31, 2010			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
ADMINISTRATIVE EXPENSES					EXPENSES
Salaries and employee benefits		19 687		19 687	Salaries and employee benefits expense
Professional fees		25 606		25 606	Professional fees
Publicity and promotion		746		746	Publicity, travel and promotion
Office expenses		2 737		2 737	Offices expenses
Trustees and registration fees		850		850	Trustees, registration fees and shareholders relations
Interests and bank charges		126		126	Bank charges
Depreciation of property and equipment		204		204	Depreciation of property and equipment
		<u>49 956</u>		<u>49 956</u>	OPERATING LOSS
OTHER REVENUES AND EXPENSES					OTHER REVENUES AND EXPENSES
Interest and others		-		-	Finance income
LOSS BEFORE INCOME TAXES		(49 956)		(49 956)	LOSS BEFORE INCOME TAXES
NET LOSS AND COMPREHENSIVE LOSS		<u>(49 956)</u>		<u>(49 956)</u>	NET LOSS AND COMPREHENSIVE LOSS
Basic and diluted loss per share		<u>(0.02)</u>		<u>(0.02)</u>	Basic and diluted loss per share

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21.5 Notes to reconciliation

(a) Presentation

Statement of Financial Position

The account *Tax credit and credit on duties receivable* is shown separately.

Statements of earnings and comprehensive loss

Salaries and employee benefits expense for IFRS was adjusted as follows:

	August 31, 2010 3 months	May 31, 2011 12 months
	\$	\$
Balance before the transition date	19 687	136 104
Grouping		
Share-based payments	-	364 000
Professional fee paid to officers	-	86 961
Balance as per IFRS	<u>19 687</u>	<u>587 065</u>

The accounts *Trustees and registration fees* and *Shareholders information* are have been grouped for presentation under *Trustees, registration fees and shareholders relations*.

21.6 Impairment losses recognized at the date of transition

The Company applied IAS 36, *Impairment of assets*, in determining whether any impairment losses arose at the date of transition to IFRS. No impairment losses (or reversals) were identified.

21.7 Financial instruments classification

At the date of the transition, *Cash and cash equivalents* has been reclassified from *financial assets held for trading* in the category *loans and receivables*.