



# **GEOMEGA RESOURCES INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**THREE MONTHS ENDED AUGUST 31, 2014**

## **NOTICE TO READER**

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

**GEOMEGA RESOURCES INC.**  
**INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited, in Canadian Dollars)

	Note	August 31, 2014 \$	May 31, 2014 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	1	1,740,963	2,399,775
Sales tax receivable		96,480	126,836
Tax credits receivable	3	376,899	433,674
Prepaid expenses and other		55,999	55,495
<b>Current assets</b>		<b>2,270,341</b>	<b>3,015,780</b>
<b>Non-current</b>			
Tax credits receivable	3	92,092	92,092
Exploration and evaluation assets	4	17,268,416	16,812,378
Property and equipment	5	240,710	277,526
<b>Non-current assets</b>		<b>17,601,218</b>	<b>17,181,996</b>
<b>Total assets</b>		<b>19,871,559</b>	<b>20,197,776</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables		619,595	609,251
Obligations under finance leases	6	55,685	53,912
Flow-through share liability	7	1,550	30,480
<b>Current liabilities</b>		<b>676,830</b>	<b>693,643</b>
<b>Non-current</b>			
Obligations under finance leases	6	20,222	34,826
<b>Total liabilities</b>		<b>697,052</b>	<b>728,469</b>
<b>EQUITY</b>			
Share capital	8	25,640,612	25,337,856
Warrants	9	567,497	620,253
Broker options	10	105,510	110,046
Stock options		1,565,281	1,556,330
Contributed surplus		1,480,864	1,464,563
Deficit		(10,185,257)	(9,619,741)
<b>Total equity</b>		<b>19,174,507</b>	<b>19,469,307</b>
<b>Total liabilities and equity</b>		<b>19,871,559</b>	<b>20,197,776</b>

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

Going concern (Note 1)

Subsequent events (Note 13)

Approved on Behalf of the Board:

/s/ "Simon Britt"

Simon Britt  
Director

/s/ "Gilles Gingras"

Gilles Gingras  
Director

**GEOMEGA RESOURCES INC.**  
**INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited, in Canadian Dollars, except number of common shares)

	Note	Three Months Ended August 31,	
		2014	2013
		\$	\$
<b>EXPENSES</b>			
Salaries, employee benefits and share-based compensation		151,820	121,256
Exploration and evaluation expenses, net of tax credits	12	251,485	31,048
Research expenses, net of tax credits		7,417	—
Professional fees		87,080	75,291
Travel, conference and investor relations		44,206	3,679
Telecommunications		2,671	3,421
Administration		3,295	2,226
Transfer agency and regulatory fees		22,845	15,300
Rent		7,094	6,887
Insurance, taxes and permits		5,575	5,859
Depreciation of property and equipment	5	3,114	3,374
Loss on disposal of property and equipment		—	3,930
<b>Loss before under noted items</b>		<b>586,602</b>	<b>272,271</b>
Interest income		(5,535)	(13,698)
Finance costs		13,379	78,801
Other income		—	(29,220)
<b>Loss before income taxes</b>		<b>594,446</b>	<b>308,154</b>
Recovery of deferred income taxes	7	(28,930)	(106,882)
<b>Loss and comprehensive loss for the year</b>		<b>565,516</b>	<b>201,272</b>
<b>Basic and diluted loss per share</b>		<b>(0.01)</b>	<b>(0.01)</b>
Weighted average number of common shares outstanding - Basic and diluted		49,890,413	34,990,113

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

**GEOMEGA RESOURCES INC.**  
**INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited, in Canadian Dollars)

<b>Three Months Ended August 31,</b>		<b>Share Capital</b>	<b>Warrants</b>	<b>Broker Options</b>	<b>Stock Options</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total Equity</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
As at May 31, 2013		21,648,139	22,170	628,143	1,609,364	794,692	(8,354,330)	16,348,178
Loss and comprehensive loss for the period		-	-	-	-	-	(201,272)	(201,272)
Share-based compensation		-	-	-	185,358	(242,937)	-	(57,579)
Expired broker options	10	-	-	(518,787)	-	518,787	-	-
<b>As at August 31, 2013</b>		<b>21,648,139</b>	<b>22,170</b>	<b>109,356</b>	<b>1,794,722</b>	<b>1,070,542</b>	<b>(8,555,602)</b>	<b>16,089,327</b>
<b>As at May 31, 2014</b>		<b>25,337,856</b>	<b>620,253</b>	<b>110,046</b>	<b>1,556,330</b>	<b>1,464,563</b>	<b>(9,619,741)</b>	<b>19,469,307</b>
Loss and comprehensive loss for the period		-	-	-	-	-	(565,516)	(565,516)
Share-based compensation		-	-	-	20,716	-	-	20,716
Exercise of warrants	8, 9	302,756	(52,756)	-	-	-	-	250,000
Expired stock options		-	-	-	(11,765)	11,765	-	-
Expired broker options	10	-	-	(4,536)	-	4,536	-	-
<b>As at August 31, 2014</b>		<b>25,640,612</b>	<b>567,497</b>	<b>105,510</b>	<b>1,565,281</b>	<b>1,480,864</b>	<b>(10,185,257)</b>	<b>19,174,507</b>

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

**GEOMEGA RESOURCES INC.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited, in Canadian Dollars)

		<b>Three Months Ended August 31,</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>			
Loss for the period		<b>(565,516)</b>	(201,272)
Adjustments for:			
Share-based compensation	11	<b>13,870</b>	(57,393)
Depreciation of property and equipment	5	<b>3,114</b>	3,374
Recovery of deferred income taxes	7	<b>(28,930)</b>	(106,882)
Loss on disposal of Property and Equipment		—	3,930
Accretion expense - debt		—	62,188
Changes in non-cash working capital items:			
Sales tax receivable		<b>30,356</b>	76,456
Tax credits receivable		—	407,658
Prepaid expenses and other		<b>(504)</b>	2,448
Trade and other payables		<b>115,373</b>	108,157
<b>Cash flows used in operating activities</b>		<b>(432,237)</b>	298,664
<b>INVESTING ACTIVITIES</b>			
Additions of exploration and evaluation assets		<b>(463,744)</b>	(295,477)
Tax credit received		—	1,687,376
Additions of property and equipment		—	(3,848)
Disposal of property and equipment		—	15,000
<b>Cash flows used in investing activities</b>		<b>(463,744)</b>	1,403,051
<b>FINANCING ACTIVITIES</b>			
Exercise of warrants		<b>250,000</b>	—
Payments on obligations under finance leases	6	<b>(12,831)</b>	(17,753)
Repayment of debt		—	(1,461,000)
<b>Cash flows from financing activities</b>		<b>237,169</b>	(1,478,753)
<b>Net change in cash and cash equivalents</b>		<b>(658,812)</b>	222,962
<b>Cash and cash equivalents, beginning of the period</b>		<b>2,399,775</b>	437,855
<b>Cash and cash equivalents, end of the period</b>		<b>1,740,963</b>	660,817
<b>Additional information</b>			
Interest received		<b>5,535</b>	13,336
Interest paid		<b>(10,496)</b>	(25,923)
Acquisition of exploration and evaluation assets included in trade and other payables		<b>180,159</b>	512,617

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

**GEOMEGA RESOURCES INC.**  
**Notes to Condensed Interim Financial Statements**  
**August 31, 2014**  
(Unaudited, in Canadian Dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Geomega Resources Inc. (the “Company”) is incorporated under the Canada Business Corporations Act and is engaged in the acquisition, exploration and evaluation of mining properties in Canada. The Company’s shares are listed on the TSX Venture Exchange under symbol GMA. The address of the Company’s registered office and principal place of business is 475 Victoria Avenue, Saint-Lambert, Quebec, Canada, J4P 2J1. These unaudited condensed interim financial statements were approved by the Company’s Board of Directors on October 24, 2014.

The Company 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 Company 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 three month ended August 31, 2014, the Company reported a loss of \$565,516 and an accumulated deficit of \$10,185,257 at that date. As at August 31, 2014, the Company had working capital of \$1,593,511 and cash and cash equivalents of \$1,740,963 on which \$30,314 is reserved for the flow-through expenses that the Company must incur before December 31, 2015. Management estimates that the working capital will not be sufficient to meet the Company’s obligations and commitments and budgeted expenditures through August 31, 2015. These circumstances lend a significant doubt as to the ability of the Company 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 Company’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. These 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 Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company 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**

***Statement of Compliance***

These condensed interim 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, these condensed interim financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year end reporting purposes.

***Basis of Presentation***

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended May 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous financial year ended May 31, 2014, except as described below.

**GEOMEGA RESOURCES INC.**  
**Notes to Condensed Interim Financial Statements**  
**August 31, 2014**  
(Unaudited, in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Changes in accounting policies*

The Company has adopted the following new and revised standard, along with any consequential amendments, effective June 1, 2014.

*IFRIC 21, Levies (“IFRIC 21”)*

The Company adopted (IFRIC) 21, Levies as at June 1, 2014. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The adoption of IFRIC 21 did not require any adjustments as at June 1, 2014.

**3. TAX CREDITS RECEIVABLE**

	<b>August 31, 2014</b>	May 31, 2013
	\$	\$
Tax credits for resources	-	56,775
Credits on duties refundable for losses	<b>391,991</b>	391,991
Investments tax credits for research and development	<b>77,000</b>	77,000
	<b>468,991</b>	525,766
Less: Non-current portion of tax credits receivables	<b>92,092</b>	92,092
Current portion of tax credits receivables	<b>376,899</b>	433,674

Tax credit for resources and credit on duties refundable for losses are related to qualifying mineral exploration expenses incurred in the province of Québec. The investment tax credits are related to expenditure on research and development incurred by the Company. Trade and other payables include \$149,553 for tax credits to be paid following the audit by Revenu Quebec of the tax credit for resources for the years ended May 31, 2011, 2012 and 2013.

**GEOMEGA RESOURCES INC.**  
**Notes to Condensed Interim Financial Statements**  
**August 31, 2014**  
(Unaudited, in Canadian Dollars)

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**4. EXPLORATION AND EVALUATION ASSETS**

**Montviel property (Rare Earth Elements)**

The Company owns 100% of the Montviel property, located approximately 100 km north of Lebel-sur-Quévillon and 45 km west of the Cree First Nation of Waswanipi. The Montviel property comprises 164 mining claims totalling 9,113 hectares as at August 31, 2014. The property carries a 2% net output royalty to NioGold Mining Corporation.

**Anik property (Gold)**

The Company owns 100% of the Anik property, located 40 km south of the town of Chapais. The Anik property consisted of 144 claims as at August 31, 2014.

**McDonald property (Gold)**

The Company owns 100% of the McDonald property, located 30 km east of the Montviel property. The McDonald property consisted of 345 claims as at August 31, 2014.

**Buckingham property (Graphite)**

The Company owns 100% of the Buckingham property, located in the town of Buckingham. The Buckingham property consisted of 13 claims as at August 31, 2014.

**La Trève property (Base metals)**

The Company owns 100% of the La Trève property, located 12 km north of the town of Chapais. The La Trève property comprised 19 claims as at August 31, 2014.

**Curières property (Graphite)**

The Company owns 100% of the Curières property, located 10 km north of the town of l'Ascension. The Curières property consisted of 10 claims as at August 31, 2014.



**GEOMEGA RESOURCES INC.**  
**Notes to Condensed Interim Financial Statements**  
**August 31, 2014**  
(Unaudited, in Canadian Dollars)

**4. EXPLORATION AND EVALUATION ASSETS (continued)**

<b>MINERAL PROPERTIES</b>							
<b>QUÉBEC</b>	Montviel	Anik	McDonald	Buckingham	La Trève	Curières	Total
May 31, 2013	7,053,482	19,682	18,278	1,365	3,942	1,050	7,097,799
Additions	4,882	555	8,419	807	102	645	15,410
Impairment	(125,000)	-	(9,350)	-	(4,044)	(1,695)	(140,089)
<b>May 31, 2014</b>	<b>6,933,364</b>	<b>20,237</b>	<b>17,347</b>	<b>2,172</b>	-	-	<b>6,973,120</b>
<b>Additions</b>	<b>3,699</b>	<b>4,291</b>	<b>1,423</b>	-	-	-	<b>9,413</b>
<b>August 31, 2014</b>	<b>6,937,063</b>	<b>24,528</b>	<b>18,770</b>	<b>2,172</b>	-	-	<b>6,982,533</b>

**EXPLORATION AND EVALUATION EXPENDITURES CAPITALIZED**

<b>QUÉBEC</b>	Montviel
May 31, 2013	7,255,800
Additions	2,479,276
Tax credits, net	104,182
<b>May 31, 2014</b>	<b>9,839,258</b>
<b>Additions</b>	<b>469,400</b>
<b>Tax credits, net</b>	<b>(22,775)</b>
<b>August 31, 2014</b>	<b>10,285,883</b>

	<b>August 31, 2014</b>	May 31, 2014
Mineral properties	<b>6,982,533</b>	6,973,120
Exploration and evaluation expenditures capitalized	<b>10,285,883</b>	9,839,258
<b>Total exploration and evaluation assets</b>	<b>17,268,416</b>	16,812,378

**GEOMEGA RESOURCES INC.**  
**Notes to Condensed Interim Financial Statements**  
**August 31, 2014**  
(Unaudited, in Canadian Dollars)

**5. PROPERTY AND EQUIPMENT**

	Leasehold Improvements \$	Office equipment \$	Vehicles \$	Exploration and Evaluation Equipment		Total \$
				Field Equipment and Camp \$	Warehouse \$	
<b>Year ended May 31, 2014</b>						
Opening net book value	260	13,404	19,105	209,052	144,434	386,255
Additions	-	5,189	-	122,228	-	127,417
Disposition	-	-	-	(18,930)	-	(18,930)
Depreciation	(260)	(12,455)	(19,105)	(176,739)	(8,657)	(217,216)
Closing net book value	-	6,138	-	135,611	135,777	277,526
<b>As at May 31, 2014</b>						
Cost	2,350	46,020	59,454	617,236	159,388	884,448
Accumulated depreciation	(2,350)	(39,882)	(59,454)	(481,625)	(23,611)	(606,922)
Closing net book value	-	6,138	-	135,611	135,777	277,526
<b>Period ended August 31, 2014</b>						
<b>Opening net book value</b>	-	<b>6,138</b>	-	<b>135,611</b>	<b>135,777</b>	<b>277,526</b>
<b>Depreciation</b>	-	<b>(3,114)</b>	-	<b>(31,538)</b>	<b>(2,164)</b>	<b>(36,816)</b>
<b>Closing net book value</b>	-	<b>3,024</b>	-	<b>104,073</b>	<b>133,613</b>	<b>240,170</b>
<b>As at August 31, 2014</b>						
<b>Cost</b>	<b>2,350</b>	<b>46,020</b>	<b>59,454</b>	<b>617,236</b>	<b>159,388</b>	<b>884,448</b>
<b>Accumulated depreciation</b>	<b>(2,350)</b>	<b>(42,996)</b>	<b>(59,454)</b>	<b>(513,163)</b>	<b>(25,775)</b>	<b>(643,738)</b>
<b>Closing net book value</b>	-	<b>3,024</b>	-	<b>104,073</b>	<b>133,613</b>	<b>240,170</b>

The field equipment and base camp includes equipment capitalized under finance leases with a net book value of \$97,906 as at August 31, 2014 (\$103,554 – May 31, 2014) and a depreciation of \$5,648 (\$32,745 - 2013) included in the exploration and evaluation assets capitalized for the three months ended August 31, 2014.

Depreciation of property and equipment related to exploration and evaluation assets is being capitalized as exploration and evaluation assets. Depreciation of property and equipment not related to exploration and evaluation assets is recorded on the statement of loss and comprehensive loss under depreciation of property and equipment or under exploration and evaluation expenses. An amount of \$3,114 (\$3,374 - 2013) was expensed to depreciation while an amount of \$33,702 (\$48,690 – 2013) was capitalized as exploration and evaluation assets during the three months ended August 31, 2014.

**GEOMEGA RESOURCES INC.**  
**Notes to Condensed Interim Financial Statements**  
**August 31, 2014**  
(Unaudited, in Canadian Dollars)

**6. OBLIGATIONS UNDER FINANCE LEASES**

	<b>August 31, 2014</b>	May 31, 2014
	<b>\$</b>	\$
Obligation under finance lease, 13% (equipment), payable in monthly instalments, maturing in December 2015. At the end of the term, the Company may buy the equipment at a price of \$10.	<b>75,907</b>	88,738
	<b>75,907</b>	88,738
Current portion of obligations under finance leases	<b>55,685</b>	53,912
Non-current portion	<b>20,222</b>	34,826

The obligation under finance leases within the next two years is as follows:

	<b>\$</b>
Minimum lease payments	83,093
Interest included in minimum lease payments	(7,186)
	<b>75,907</b>

**7. FLOW-THROUGH SHARE LIABILITY**

	<b>August 31, 2014</b>	May 31, 2014
	<b>\$</b>	\$
Balance, beginning of year	<b>30,480</b>	203,433
Addition during the year, net of issue costs <sup>(i)</sup>	-	106,827
Reduction related qualifying exploration expenditures being incurred	<b>(28,930)</b>	(279,780)
Balance, end of year	<b>1,550</b>	30,480

(i) The addition for the period represents the excess of the proceeds received from flow-through shares issued over the fair market value of the shares issued, net of issue costs. For the year ended May 31, 2014, the Company recorded a liability of \$106,827, respectively \$54,928 and \$51,899, as a flow-through share liability, following the issuance of flow-through shares on December 3, 2013 and March 19, 2014. The flow-through share liability is reduced as the Company incurs qualifying flow-through expenses.

**GEOMEGA RESOURCES INC.**  
**Notes to Condensed Interim Financial Statements**  
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(Unaudited, in Canadian Dollars)

**8. SHARE CAPITAL**

(a) Authorized Share Capital

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

(b) Issued

	Number of Shares	Carrying Value \$
<b>Balance – May 31, 2014</b>	<b>49,401,283</b>	<b>25,337,856</b>
<b>Exercise of warrants</b>	<b>1,000,000</b>	<b>302,756</b>
<b>Balance – August 31, 2014</b>	<b>50,401,283</b>	<b>25,640,612</b>

**Three Months Ended August 31, 2014**

During the three months ended August 31, 2014, 1,000,000 common shares were issued following warrants exercise at a price of \$0.25. The weighted average shares at the exercise date for all warrants exercised during the three months period were \$0.33 per share.

**9. WARRANTS**

The following tables summarize the warrants outstanding as at August 31, 2014. Each warrant entitles the holder to subscribe to one common share.

	Number of warrants	Carrying Value \$	Weighted Average Exercise Price \$
Balance - May 31, 2013	4,267,432	22,170	1.92
Issued	6,905,428	733,080	0.40
Issue costs	-	(80,912)	-
Exercised	(1,090,312)	(66,938)	0.23
Expired	(2,315,159)	(22,170)	2.70
Extended	-	35,023	1.00
<b>Balance - May 31, 2014</b>	<b>7,767,389</b>	<b>620,253</b>	<b>0.57</b>
<b>Exercised</b>	<b>(1,000,000)</b>	<b>(52,756)</b>	<b>0.25</b>
<b>Balance - August 31, 2014</b>	<b>6,767,389</b>	<b>567,497</b>	<b>0.62</b>

Expiration date	Number of warrants	Weighted Average Exercise Price \$
September 2014	1,952,273	1.00
December 2014	121,950	0.25
September 2015	1,866,666	0.90
November 2016	1,662,500	0.21
December 2016	164,000	0.21
July 2018	1,000,000	0.15
	<u>6,767,389</u>	

During the three months ended August 31, 2014, 1,000,000 warrants were exercised (valued at \$52,756) and there was no issuance of warrants.

**GEOMEGA RESOURCES INC.**  
**Notes to Condensed Interim Financial Statements**  
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(Unaudited, in Canadian Dollars)

**9. WARRANTS (continued)**

On January 31, 2014, the Company obtained all regulatory approvals to issue 1,000,000 common share purchase warrants to Dr. Pouya Hajjani, a Company's employee, in exchange of all rights, title and interest in two patents related to the REE physical separation process. The warrants become exercisable upon demonstration of high purity (>99%) separation in a pilot plant using the REE physical separation process no later than July 1, 2018 ("performance criteria"). Each warrant entitles Dr. Hajjani to acquire to one common share at an exercise price of \$0.15 expiring July 1, 2018. The intrinsic fair value of the exercisable warrants shall not exceed \$5 million at the time they become exercisable, in which case the number of warrants will be reduced. For the three months ended August 31, 2014, no warrants were exercisable since the demonstration of the high purity separation in a pilot plan has not been completed yet and no expense for these warrants was recorded as the performance criteria has not been met.

**10. BROKER OPTIONS**

The number of outstanding broker options as at August 31, 2014 which could be exercised for an equivalent number of units or shares is as follows:

	<b>Number of broker options for units</b>	<b>Carrying Value \$</b>	<b>Weighted Average Exercise Price \$</b>	<b>Number of broker options for common shares</b>	<b>Carrying Value \$</b>	<b>Weighted Average Exercise Price \$</b>
Balance - May 31, 2013	134,750	518,787	2.35	493,987	109,356	0.52
Issued	242,400	14,544	0.17	264,167	105,510	0.60
Exercised	(242,400)	(14,544)	0.17	(60,000)	(9,000)	0.50
Expired	(134,750)	(518,787)	2.35	(396,187)	(95,820)	0.55
<b>Balance – May 31, 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>301,967</b>	<b>110,046</b>	<b>0.59</b>
<b>Expired</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,800)</b>	<b>(4,536)</b>	<b>0.50</b>
<b>Balance – August 31, 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>264,167</b>	<b>105,510</b>	<b>0.60</b>

<b>Expiration date</b>	<b>Number of broker options for common shares</b>	<b>Weighted Average Exercise Price \$</b>
September 2015	174,367	0.60
October 2015	89,800	0.60
	<u>264,167</u>	

There was no issue or exercise of broker options during the three months ended August 31, 2014.

**GEOMEGA RESOURCES INC.**  
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**11. STOCK OPTIONS**

The Company has a stock option plan ("the Plan") whereby the Board of Directors (the "Board") 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 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 option 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 they vest gradually over a period of 24 months from the day of grant, at a rate of one-quarter per six-month period.

The stock option exercise price is established by the Board and may not be lower than the market price of the common shares at the time of grant. The exercise price is the closing price of the Company's common shares the day before the stock options are granted.

All share-based compensation will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the stock options. The Company's stock options are as follows at August 31, 2014:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price \$</b>
Outstanding - May 31, 2013	2,843,540	1.00
Granted	855,000	0.18
Expired	(550,155)	1.53
Forfeited	(365,885)	0.98
<b>Outstanding- May 31, 2014</b>	<b>2,782,500</b>	<b>0.81</b>
<b>Expired</b>	<b>(37,500)</b>	<b>0.50</b>
<b>Outstanding- August 31, 2014</b>	<b>2,745,000</b>	<b>0.68</b>

<b>Range of Exercise Price (\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price \$</b>	<b>Remaining Life (years)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price \$</b>
0.10 to 1.00	1,970,000	0.30	2.93	1,348,750	0.34
1.01 to 2.00	625,000	1.51	2.09	625,000	1.51
2.01 to 3.00	150,000	2.08	1.99	150,000	2.08
	<u>2,745,000</u>			<u>2,123,750</u>	

In total, \$20,716 of share-based compensation was recognized during the three months ended August 31, 2014 with \$13,870 included in the statement of loss and comprehensive loss and \$6,846 capitalized in exploration and evaluation assets (\$(57,393) and \$(186) respectively for 2013).

During the three months ended August 31, 2014, there was no exercise of stock options and 37,500 stock options expired unexercised.

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**12. EXPLORATION AND EVALUATION EXPENSES**

	<b>Three Months Ended August 31,</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Salaries, geology and prospection	<b>137,439</b>	25,380
Lodging and travel expenses	<b>46,469</b>	890
Analysis	<b>41,450</b>	1,797
Supplies and equipment	<b>25,212</b>	1 027
Taxes, permits and insurance	<b>915</b>	-
Mineral properties cost	<b>-</b>	1,954
<b>Exploration and evaluation expenses before tax credits</b>	<b>251,485</b>	31,048
Tax credits, net	<b>-</b>	-
<b>Exploration and evaluation expenses</b>	<b>251,485</b>	31,048

**13. SUBSEQUENT EVENTS**

- a) On September 17, 2014, the Company granted to directors, officers and employees a total of 710,000 stock options at an exercise price of \$0.26 expiring on September 17, 2014.
- b) On August 26, 2014, the Company signed a purchase and sale agreement to acquire one (1) mining claim located in the North-East of Anik property for \$2,000 in cash and 30,000 common shares of the Company. The Company's common shares were issued on September 8, 2014 for a value of \$9,750.
- c) On September 22, 2014, the Company signed a purchase and sale agreement to acquire six (6) mining claim located in the surrounding area of Anik property for \$2,000 in cash and 30,000 common shares of the Company. The Company's common shares were issued on October 9, 2014 for a value of \$5,400.