



## **GEOMEGA RESOURCES INC.**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2015**

### **NOTICE TO READER**

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

**GEOMEGA RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited, in Canadian Dollars)

|                                     | Note | February 28,<br>2015<br>\$ | May 31,<br>2014<br>\$ |
|-------------------------------------|------|----------------------------|-----------------------|
| <b>ASSETS</b>                       |      |                            |                       |
| <b>Current</b>                      |      |                            |                       |
| Cash and cash equivalents           | 1, 3 | 897,750                    | 2,399,775             |
| Sales tax receivable                |      | 104,850                    | 126,836               |
| Tax credits receivable              | 4    | 37,116                     | 433,674               |
| Prepaid expenses and other          |      | 108,145                    | 55,495                |
| <b>Current assets</b>               |      | <b>1,147,861</b>           | <b>3,015,780</b>      |
| <b>Non-current</b>                  |      |                            |                       |
| Tax credits receivable              | 4    | 274,610                    | 92,092                |
| Exploration and evaluation assets   | 5    | 17,616,187                 | 16,812,378            |
| Property and equipment              |      | 250,642                    | 277,526               |
| <b>Non-current assets</b>           |      | <b>18,141,439</b>          | <b>17,181,996</b>     |
| <b>Total assets</b>                 |      | <b>19,289,300</b>          | <b>20,197,776</b>     |
| <b>LIABILITIES</b>                  |      |                            |                       |
| <b>Current</b>                      |      |                            |                       |
| Trade and other payables            |      | 246,316                    | 609,251               |
| Obligations under finance leases    |      | 48,965                     | 53,912                |
| Flow-through share liability        | 6    | -                          | 30,480                |
| <b>Current liabilities</b>          |      | <b>295,281</b>             | <b>693,643</b>        |
| <b>Non-current</b>                  |      |                            |                       |
| Obligations under finance leases    |      | -                          | 34,826                |
| <b>Total liabilities</b>            |      | <b>295,281</b>             | <b>728,469</b>        |
| <b>EQUITY</b>                       |      |                            |                       |
| Share capital                       | 7    | 26,525,148                 | 25,337,856            |
| Warrants                            | 8    | 700,225                    | 620,253               |
| Broker options                      | 9    | 119,910                    | 110,046               |
| Stock options                       |      | 1,664,608                  | 1,556,330             |
| Contributed surplus                 |      | 1,520,590                  | 1,464,563             |
| Deficit                             |      | (11,536,462)               | (9,619,741)           |
| <b>Total equity</b>                 |      | <b>18,994,019</b>          | <b>19,469,307</b>     |
| <b>Total liabilities and equity</b> |      | <b>19,289,300</b>          | <b>20,197,776</b>     |

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

Going concern (*Note 1*)

*Approved on Behalf of the Board:*

*/s/ "Simon Britt"*

Simon Britt  
Director

*/s/ "Gilles Gingras"*

Gilles Gingras  
Director

**GEOMEGA RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited, in Canadian Dollars, except number of common shares)

|  | Note | Three Month Period Ended<br>February 28, |                | Nine Month Period Ended<br>February 28, |                |
|--|------|--|----------------|---|----------------|
|  |      | 2015<br>\$                               | 2014<br>\$     | 2015<br>\$                              | 2014<br>\$     |
| <b>EXPENSES</b>  |      |  |                |   |                |
| Salaries, employee benefits and share-based compensation                 |      | 222,019                                  | 226,185        | 578,284                                 | 534,229        |
| Exploration and evaluation expenses, net of tax credits                  | 11   | 453,251                                  | -              | 1,067,159                               | 29,653         |
| Research expenses, net of tax credits                                    |      | 6,631                                    | -              | 19,584                                  | -              |
| Professional fees  |      | 19,223                                   | 19,291         | 155,519                                 | 135,986        |
| Travel, conference and investor relations                                |      | 44,904                                   | 23,475         | 156,230                                 | 45,760         |
| Telecommunications   |      | 2,270                                    | 3,000          | 7,747                                   | 10,256         |
| Administration   |      | 12,972                                   | 3,093          | 23,395                                  | 8,975          |
| Transfer agency and regulatory fees                                      |      | 12,101                                   | 11,762         | 56,666                                  | 48,119         |
| Rent   |      | 7,306                                    | 7,093          | 21,635                                  | 21,005         |
| Insurance, taxes and permits   |      | 15,520                                   | 5,735          | 27,025                                  | 16,268         |
| Depreciation of property and equipment                                   |      | 4,328                                    | 3,114          | 7,442                                   | 9,602          |
| Loss on disposal of property and equipment                               |      | -  | -              | -                                       | 3,930          |
| Impairment of exploration and evaluation assets                          |      | -  | 11,899         | -                                       | 11,899         |
| <b>Loss before under noted items</b>                                     |      | <b>800,525</b>                           | <b>314,647</b> | <b>2,120,686</b>                        | <b>875,682</b> |
| Interest income  |      | (4,634)                                  | (492)          | (13,570)                                | (15,356)       |
| Finance costs  |      | 2,097                                    | 1,398          | 18,068                                  | 80,492         |
| Other income   |      | -  | -              | -                                       | (34,200)       |
| <b>Loss before income taxes</b>  |      | <b>797,988</b>                           | <b>315,553</b> | <b>2,125,184</b>                        | <b>906,618</b> |
| Recovery of deferred income taxes  | 6    | (94,444)                                 | (39,722)       | (208,462)                               | (243,155)      |
| Flow-through share related income  |      |  |                |   |                |
| <b>Loss and comprehensive loss for the period</b>                        |      | <b>703,544</b>                           | <b>275,831</b> | <b>1,916,721</b>                        | <b>663,463</b> |
| <b>Basic and diluted loss per share</b>                                  |      | <b>(0.01)</b>                            | <b>(0.01)</b>  | <b>(0.04)</b>                           | <b>(0.02)</b>  |
| Weighted average number of common shares outstanding - Basic and diluted |      | 54,408,911                               | 39,526,896     | 52,871,514                              | 37,992,378     |

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

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

(Unaudited, in Canadian Dollars)

| <b>Nine month period ended February 28</b> | <b>Note</b> | <b>Share<br/>Capital</b> | <b>Warrants</b> | <b>Broker<br/>Options</b> | <b>Stock<br/>Options</b> | <b>Contributed<br/>Surplus</b> | <b>Deficit</b>     | <b>Total Equity</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 |             | -                        | -               | -                         | -                        | -                              | (663,463)          | (663,463)           |
| Share-based compensation                   |             | -                        | -               | -                         | 272,288                  | (242,937)                      | -                  | 29,351              |
| Private placements                         |             | 940,215                  | 282,170         | 14,544                    | -                        | -                              | -                  | 1,236,929           |
| Issue costs                                |             | (89,122)                 | (25,937)        | -                         | -                        | -                              | -                  | (115,059)           |
| Extension of warrants                      |             | -                        | 35,023          | -                         | -                        | -                              | (35,023)           | -                   |
| Expired warrants                           |             | -                        | (22,170)        | -                         | -                        | 22,170                         | -                  | -                   |
| Expired broker options                     |             | -                        | -               | (588,957)                 | -                        | 588,957                        | -                  | -                   |
| Expired stock options                      |             | -                        | -               | -                         | (351,772)                | 351,772                        | -                  | -                   |
| As at February 28, 2014                    |             | 22,499,232               | 291,256         | 53,730                    | 1,529,880                | 1,514,654                      | (9,052,816)        | 16,835,936          |
| <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 |             | -                        | -               | -                         | -                        | -                              | (1,916,721)        | (1,916,721)         |
| Share-based compensation                   |             | -                        | -               | -                         | 120,043                  | -                              | -                  | 120,043             |
| Private placements                         | 7, 8        | 933,959                  | 181,131         | -                         | -                        | -                              | -                  | 1,115,090           |
| Issue costs                                | 7, 8        | (64,573)                 | (8,677)         | 14,400                    | -                        | -                              | -                  | (58,850)            |
| Shares issued - Anik                       | 5           | 15,150                   | -               | -                         | -                        | -                              | -                  | 15,150              |
| Exercise of warrants                       | 7, 8        | 302,756                  | (52,756)        | -                         | -                        | -                              | -                  | 250,000             |
| Expired warrants                           | 8           | -                        | (39,726)        | -                         | -                        | 39,726                         | -                  | -                   |
| Expired stock options                      |             | -                        | -               | -                         | (11,765)                 | 11,765                         | -                  | -                   |
| Expired broker options                     | 9           | -                        | -               | (4,536)                   | -                        | 4,536                          | -                  | -                   |
| As at February 28, 2015                    |             | 26,525,148               | 700,225         | 119,910                   | 1,664,608                | 1,520,590                      | (11,536,462)       | 18,994,019          |

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

**GEOMEGA RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited, in Canadian Dollars)

|  |      | Three Month Period<br>Ended February 28, |                  | Nine Month Period Ended<br>February 28, |                  |
|--|------|--|------------------|---|------------------|
|  | Note | 2015                                     | 2014             | 2015                                    | 2014             |
|  |      | \$                                       | \$               | \$                                      | \$               |
| <b>OPERATING ACTIVITIES</b>  |      |  |                  |   |                  |
| Loss for the period  |      | (703,544)                                | (275,831)        | (1,916,721)                             | (663,463)        |
| Adjustments for:   |      |  |                  |   |                  |
| Share-based compensation   | 10   | 47,256                                   | 30,721           | 109,304                                 | (17,752)         |
| Depreciation of property and equipment   |      | 4,328                                    | 3,114            | 7,442                                   | 9,602            |
| Impairment of exploration and evaluation assets                                    |      | -  | 11,899           | -                                       | 11,899           |
| Recovery of deferred income taxes  | 6    | (94,444)                                 | (39,722)         | (208,462)                               | (243,155)        |
| Loss on disposal of Property and Equipment   |      | -  | -                | -                                       | 3,930            |
| Accretion expense - debt   |      | -  | -                | -                                       | 62,188           |
| Changes in non-cash working capital items:   |      |  |                  |   |                  |
| Sales tax receivable   |      | (6,111)                                  | 9,754            | 21,986                                  | 81,027           |
| Other receivables  |      | -  | (490)            | -                                       | (1,388)          |
| Tax credits receivable   |      | (25,252)                                 | -                | 4,099                                   | 488,545          |
| Prepaid expenses and other   |      | (28,021)                                 | (9,031)          | (52,651)                                | (2,759)          |
| Trade and other payables   |      | (13,020)                                 | 100,453          | (231,968)                               | 190,525          |
| <b>Cash flows from (used) in operating activities</b>                              |      | <b>(818,807)</b>                         | <b>(169,133)</b> | <b>(2,266,971)</b>                      | <b>(45,297)</b>  |
| <b>INVESTING ACTIVITIES</b>  |      |  |                  |   |                  |
| Additions of exploration and evaluation assets                                     |      | (163,463)                                | (639,837)        | (914,095)                               | (1,857,605)      |
| Tax credit received  |      | 32,136                                   | -                | 273,680                                 | 2,226,336        |
| Additions of property and equipment  |      | (29,555)                                 | (2,949)          | (30,859)                                | (9,261)          |
| Disposal of property and equipment   |      | -  | -                | -                                       | 15,000           |
| <b>Cash flows from (used) in investing activities</b>                              |      | <b>(161,882)</b>                         | <b>(642,786)</b> | <b>(671,274)</b>                        | <b>374,470</b>   |
| <b>FINANCING ACTIVITIES</b>  |      |  |                  |   |                  |
| Issuance of units and shares, net of issue costs                                   |      | -  | 529,047          | 1,225,994                               | 1,176,618        |
| Repayment of debt  |      | -  | -                | -                                       | (1,461,000)      |
| Exercise of warrants   |      | -  | -                | 250,000                                 | -                |
| Payments on obligations under finance leases                                       |      | (13,690)                                 | (11,807)         | (39,774)                                | (29,560)         |
| <b>Cash flows from (used) financing activities</b>                                 |      | <b>(13,690)</b>                          | <b>517,240</b>   | <b>1,436,220</b>                        | <b>(313,942)</b> |
| <b>Net change in cash and cash equivalents</b>                                     |      | <b>(993,380)</b>                         | <b>(294,679)</b> | <b>(1,502,025)</b>                      | <b>15,231</b>    |
| <b>Cash and cash equivalents, beginning of the period</b>                          |      | <b>1,891,130</b>                         | <b>747,765</b>   | <b>2,399,775</b>                        | <b>437,855</b>   |
| <b>Cash and cash equivalents, end of the period</b>                                |      | <b>897,750</b>                           | <b>453,086</b>   | <b>897,750</b>                          | <b>453,086</b>   |
| <b>Additional information</b>  |      |  |                  |   |                  |
| Interest received  |      | 8,990                                    | 2                | 15,464                                  | 13,968           |
| Interest paid  |      | (1,873)                                  | (1,141)          | (17,446)                                | (27,064)         |
| Addition of exploration and evaluation assets included in trade and other payables |      | (19,190)                                 | -                | 82,898                                  | -                |
| Share issue cost included in trade and other payables                              |      | -  | -                | 3,104                                   | -                |
| Depreciation of property and equipment included in trade and other payables        |      | 8,015                                    | -                | 50,301                                  | -                |

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

# GEOMEGA RESOURCES INC.

## Notes to Condensed Interim Consolidated Financial Statements

February 28, 2015

(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 consolidated financial statements were approved by the Company’s Board of Directors on April 24, 2015.

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 nine month period ended February 28, 2015, the Company reported a loss of \$1,916,721 and an accumulated deficit of \$11,536,462 at that date. As of February 28, 2015, the Company had working capital of \$852,580 and cash and cash equivalents of \$897,750. Management estimates that the working capital will not be sufficient to meet the Company’s obligations and commitments and budgeted expenditures through February 28, 2016. 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 consolidated 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 consolidated 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 consolidated 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 and with the condensed interim consolidated financial statements ended as at November 30 and August 31, 2014. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim consolidated financial statements are consistent with those of the previous financial year ended May 31, 2014.

#### *Basis of consolidation*

These consolidated financial statements incorporate the accounts of the Company and the accounts of its wholly owned subsidiary, Innord Inc. Control is defined by the authority to direct the financial and operating policies of a business in order to obtain benefits from its activities. All intercompany transactions, balances, income and expenses are eliminated at consolidation.

**GEOMEGA RESOURCES INC.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**February 28, 2015**  
(Unaudited, in Canadian Dollars)

**3. CASH AND CASH EQUIVALENTS**

|   | <b>February 28,<br/>2015</b> | May 31,<br>2014 |
|---|------------------------------|-----------------|
|   | <b>\$</b>                    | \$              |
| Cash  | <b>147,750</b>               | 134,775         |
| Investments redeemable at any time                                  | <b>750,000</b>               | 2,265,000       |
|   | <b>897,750</b>               | 2,399,775       |
| <u>Less : cash reserved for qualifying exploration expenditures</u> | <u>-</u>                     | <u>596,109</u>  |
| Cash and cash equivalents   | <b>897,750</b>               | 1,803,666       |

**4. TAX CREDITS RECEIVABLE**

|   | <b>February 28,<br/>2015</b> | May 31,<br>2014 |
|---|------------------------------|-----------------|
|   | <b>\$</b>                    | \$              |
| Tax credits for resources                                   | <b>152,461</b>               | 56,775          |
| Credits on duties refundable for losses                     | <b>122,149</b>               | 391,991         |
| Investment tax credits for research and development         | <b>37,116</b>                | 77,000          |
|   | <b>311,726</b>               | 525,766         |
| <u>Less: Non-current portion of tax credits receivables</u> | <u>274,610</u>               | <u>92,092</u>   |
| Current portion of tax credits receivables                  | <b>37,116</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.

**5. EXPLORATION AND EVALUATION ASSETS**

**Montviel property (Rare Earth Elements and Niobium)**

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 9,109 hectares as of February 28, 2015. 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 151 claims totalling 8,452 hectares as of February 28, 2015.

On August 26, 2014, the Company signed a purchase and sale agreement to acquire 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. On September 22, 2014, the Company signed a purchase and sale agreement to acquire 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.

**McDonald property (Gold)**

The Company owns 100% of the McDonald property, located 30 km east of the Montviel property. The McDonald property consisted of 208 claims totalling 11,526 hectares as of February 28, 2015.

# GEOMEGA RESOURCES INC.

## Notes to Condensed Interim Consolidated Financial Statements

February 28, 2015

(Unaudited, in Canadian Dollars)

### 5. EXPLORATION AND EVALUATION ASSETS (continued)

#### Buckingham property (Graphite)

The Company owns 100% of the Buckingham property, located in the town of Buckingham, Québec. The Buckingham property consisted of 13 claims totalling 782 hectares as of February 28, 2015.

#### MINERAL PROPERTIES

| QUÉBEC                   | 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>-</b> | <b>-</b> | <b>6,973,120</b> |
| <b>Additions</b>         | <b>5,282</b>     | <b>28,007</b> | <b>4,615</b>  | <b>-</b>     | <b>-</b> | <b>-</b> | <b>37,905</b>    |
| <b>February 28, 2015</b> | <b>6,938,646</b> | <b>48,244</b> | <b>21,962</b> | <b>2,172</b> | <b>-</b> | <b>-</b> | <b>7,011,025</b> |

#### EXPLORATION AND EVALUATION EXPENDITURES CAPITALIZED

| QUEBEC                   | 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>829,640</b>    |
| <b>Tax credits, net</b>  | <b>(63,736)</b>   |
| <b>February 28, 2015</b> | <b>10,605,162</b> |

|   | February 28, 2015 | May 31, 2014      |
|---|-------------------|-------------------|
| Mineral properties                                  | 7,011,025         | 6,973,120         |
| Exploration and evaluation expenditures capitalized | 10,605,162        | 9,839,258         |
| <b>Total exploration and evaluation assets</b>      | <b>17,616,517</b> | <b>16,812,378</b> |

### 6. FLOW-THROUGH SHARE LIABILITY

|   | February<br>28, 2015 | May 31,<br>2014 |
|---|----------------------|-----------------|
|   | \$                   | \$              |
| Balance, beginning of year                                  | 30,480               | 203,433         |
| Addition during the year, net of issue costs <sup>(i)</sup> | 177,982              | 106,827         |
| Reduction related to qualifying exploration expenditures    | (208,462)            | (279,780)       |
| Balance, end of period                                      | -                    | 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 nine months period ended February 28, 2015, the Company recorded a liability of \$177,982 following the issuance of flow-through shares on November 20, 2014. The flow-through share liability is reduced as the Company incurs qualifying flow-through expenses.



**GEOMEGA RESOURCES INC.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**February 28, 2015**  
(Unaudited, in Canadian Dollars)

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**7. SHARE CAPITAL**

(a) Authorized Share Capital

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

(b) Issued

|                                    | Number of<br>Shares | Carrying Value<br>\$ |
|------------------------------------|---------------------|----------------------|
| <b>Balance – May 31, 2014</b>      | <b>49,401,283</b>   | <b>25,337,856</b>    |
| <b>Private placements</b>          | <b>6,528,277</b>    | <b>933,959</b>       |
| <b>Issue costs</b>                 | -                   | <b>(64,573)</b>      |
| <b>Shares issued - Anik</b>        | <b>60,000</b>       | <b>15,150</b>        |
| <b>Exercise of warrants</b>        | <b>1,000,000</b>    | <b>302,756</b>       |
| <b>Balance – February 28, 2015</b> | <b>56,989,560</b>   | <b>26,525,148</b>    |

**Nine month period ended February 28, 2015**

During the nine month period ended February 28, 2015, 1,000,000 common shares were issued following the exercise of warrants at a price of \$0.25. The weighted average share price at the exercise date for all warrants exercised during the period was \$0.33 per share.

In November 2014, the Company completed a private placement and issued 4,528,277 units at a price of \$0.18 per unit for gross proceeds of \$815,090. Each unit consisted of one common share and one-half warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of \$0.25 until November 20, 2016 at the latest. An amount of \$633,959 was allocated to share capital and \$181,131 was allocated to the value of the warrants. Issue costs totaling \$39,048 were recorded as a reduction of share capital and warrants, \$30,371 and \$8,677 respectively.

On November 20, 2014, the Company completed a brokered flow-through private placement and issued 2,000,000 flow-through shares at a price of \$0.25 for gross proceeds of \$500,000. The flow-through premium was estimated at \$200,000 and recorded as flow-through share liability. In relation with this placement, the Company paid a cash commission of \$40,000 to the broker (total issue costs of \$55,044 of which \$22,018 was allocated to the flow-through share liability) and issued 160,000 non-transferable broker options (valued at \$14,400) allowing the holder to acquire one common share of the Company at a price of \$0.25 until November 20, 2016.

On September 22, 2014, the Company issued 30,000 common shares under the acquisition of 6 mining claims located in the surrounding area of Anik property (valued at \$5,400 and issue costs of \$270).

On September 8, 2014, the Company issued 30,000 common shares under the acquisition of 1 mining claim located in the North-East of Anik property (valued at \$9,750 and issue costs of \$907).

# GEOMEGA RESOURCES INC.

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### 8. WARRANTS

The following tables summarize the warrants outstanding as of February 28, 2015. Each warrant entitles the holder to subscribe to one common share.

|                                    | Number of<br>warrants | Carrying Value<br>\$ | Weighted Average<br>Exercise Price<br>\$ |
|------------------------------------|-----------------------|----------------------|--|
| 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>Issued</b>                      | <b>2,264,138</b>      | <b>181,131</b>       | <b>0.25</b>                              |
| <b>Issue costs</b>                 | <b>-</b>              | <b>(8,677)</b>       | <b>-</b>                                 |
| <b>Exercised</b>                   | <b>(1,000,000)</b>    | <b>(52,756)</b>      | <b>0.25</b>                              |
| <b>Expired</b>                     | <b>(2,074,223)</b>    | <b>(39,726)</b>      | <b>1.00</b>                              |
| <b>Balance – February 28, 2015</b> | <b>6,957,304</b>      | <b>700,225</b>       | <b>0.40</b>                              |

| Expiration date | Number of<br>warrants | Weighted Average<br>Exercise Price<br>\$ |
|-----------------|-----------------------|--|
| September 2015  | 1,866,666             | 0.90                                     |
| November 2016   | 1,662,500             | 0.21                                     |
| November 2016   | 2,264,138             | 0.25                                     |
| December 2016   | 164,000               | 0.21                                     |
| July 2018       | 1,000,000             | 0.15                                     |
|                 | <u>6,957,304</u>      |  |

During the nine month period ended February 28, 2015, 1,000,000 warrants were exercised (valued at \$52,576) and 2,074,223 warrants expired unexercised (valued at \$39,726).

In connection with the private placement completed in November 2014, the Company issued 2,264,138 warrants allowing the holder to acquire an equivalent number of common shares of the Company at a price \$0.25 until November 20, 2016 at the latest. The warrants were recorded at a value of \$172,454 (\$181,131 less the issue costs of \$8,677) based on the Black-Scholes model using the following weighted average assumptions: risk-free interest rate of 1.01%, expected life of 2 years, annualized volatility rate of 146% and dividend rate of 0%.

On January 31, 2014, the Company obtained all regulatory approvals to issue 1,000,000 purchase warrants to Dr. Pouya Hajiani, a Company's employee, in exchange of all rights, title and interest in two patents related to the Rare Earth Elements (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. Hajiani 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 nine month period ended February 28, 2015, no warrants were exercisable since the demonstration of the high purity separation in a pilot plant has not been completed yet and no expense for these warrants was recorded as the performance criteria has not been met.

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**9. BROKER OPTIONS**

The number of outstanding broker options as at February 28, 2015 which could be exercised for an equivalent number of units or shares is as follows:

|                                    | <b>Number of<br/>broker<br/>options for<br/>units</b> | <b>Carrying<br/>Value<br/>\$</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price<br/>\$</b> | <b>Number of<br/>broker<br/>options for<br/>common shares</b> | <b>Carrying<br/>Value<br/>\$</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price<br/>\$</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>Issued</b>                      | <b>—</b>  | <b>—</b>                         | <b>—</b>  | <b>160,000</b>  | <b>14,400</b>                    | <b>0.25</b>   |
| <b>Expired</b>                     | <b>—</b>  | <b>—</b>                         | <b>—</b>  | <b>(37,800)</b>   | <b>(4,536)</b>                   | <b>0.50</b>   |
| <b>Balance – February 28, 2015</b> | <b>—</b>  | <b>—</b>                         | <b>—</b>  | <b>424,167</b>  | <b>119,910</b>                   | <b>0.47</b>   |

| <b>Expiration date</b> | <b>Number of broker<br/>options for common<br/>shares</b> | <b>Weighted Average<br/>Exercise Price<br/>\$</b> |
|------------------------|---|---|
| September 2015         | 174,367   | 0.60  |
| October 2015           | 89,800  | 0.60  |
| November 2016          | 160,000   | 0.25  |
|                        | <u>424,167</u>  |   |

In connection with the private placement completed in November 2014, the Company issued 160,000 broker options allowing the holder to acquire an equivalent number of common shares at a price of \$0.25 until November 20, 2016. The fair value of the broker options was estimated at \$14,400. When granted, the fair value of the broker options, 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 broker options and decrease of share capital.

The average fair value of the broker options of \$14,400 (\$105,510 as of May 31, 2014) was estimated using the Black-Scholes model and based on the following weighted average assumptions:

|   | <b>Nine months Ended<br/>February 28, 2015</b> | <b>Year Ended<br/>May 31, 2014</b> |
|---|--|------------------------------------|
| Average share price at date of grant    | <b>\$0.16</b>                                  | \$0.62                             |
| Dividend yield                          | <b>NIL</b>                                     | NIL                                |
| Expected weighted volatility            | <b>149 %</b>                                   | 148 %                              |
| Risk-free interest rate                 | <b>0.55 %</b>                                  | 1.06 %                             |
| Expected average life                   | <b>2 years</b>                                 | 1.5 years                          |
| Average exercise price at date of grant | <b>\$0.25</b>                                  | \$0.60                             |

During the nine months ended February 28, 2015, there was no exercise of broker options.

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### 10. 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 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 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.

On January 23, 2015, the Company granted to an officer and employees a total of 100,000 stock options at an exercise price of \$0.14 expiring on January 23, 2020.

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, 2019.

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 February 28, 2015:

|  | Number of<br>Options | Weighted<br>Average<br>Exercise Price<br>\$ |
|--|----------------------|---|
| 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>Granted</b>                         | <b>810,000</b>       | <b>0.25</b>                                 |
| <b>Expired</b>                         | <b>(37,500)</b>      | <b>0.42</b>                                 |
| <b>Outstanding – February 28, 2015</b> | <b>3,555,000</b>     | <b>0.58</b>                                 |

| Range of Exercise Price (\$) | Options Outstanding  |   |                           | Options Exercisable  |   |
|------------------------------|----------------------|---|---------------------------|----------------------|---|
|                              | Number of<br>Options | Weighted<br>Average<br>Exercise Price<br>\$ | Remaining<br>Life (years) | Number of<br>Options | Weighted<br>Average<br>Exercise Price<br>\$ |
| 0.10 to 1.00                 | 2,780,000            | 0.29  | 3.07                      | 1,685,000            | 0.33  |
| 1.01 to 2.00                 | 625,000              | 1.51  | 1.60                      | 625,000              | 1.51  |
| 2.01 to 3.00                 | 150,000              | 2.08  | 1.50                      | 150,000              | 2.08  |
|                              | <u>3,555,000</u>     |   |                           | <u>2,460,000</u>     |   |

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### 10. STOCK OPTIONS (continued)

The weighted average assumptions to calculate the fair value of the stock options granted using the Black-Scholes model are as follows:

|   | <b>Nine Months Ended<br/>February 28, 2015</b> | <b>Year Ended<br/>May 31, 2014</b> |
|---|--|------------------------------------|
| Average share price at date of grant    | <b>\$0.16</b>                                  | \$0.19                             |
| Dividend yield                          | <b>NIL</b>                                     | NIL                                |
| Expected weighted volatility            | <b>129 %</b>                                   | 121 %                              |
| Risk-free interest rate                 | <b>0.52 %</b>                                  | 1.58 %                             |
| Expected average life                   | <b>3.75 years</b>                              | 3.75 years                         |
| Average exercise price at date of grant | <b>\$0.25</b>                                  | \$0.19                             |

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. In total, \$120,043 of share-based compensation was recognized during the nine months ended February 28, 2015 with \$109,304 included in the statement of loss and comprehensive loss and \$10,739 capitalized in exploration and evaluation assets (\$17,752 and \$11,779 respectively for the same period in 2014).

During the nine months ended February 28, 2015, there was no exercise of stock options.

### 11. EXPLORATION AND EVALUATION EXPENSES

|   | <b>Three Months Ended<br/>February 28,</b> |             | <b>Nine Months Ended<br/>February 28,</b> |             |
|---|--|-------------|---|-------------|
|   | <b>2015</b>                                | <b>2014</b> | <b>2015</b>                               | <b>2014</b> |
|   | <b>\$</b>                                  | <b>\$</b>   | <b>\$</b>                                 | <b>\$</b>   |
| Salaries, geology and prospection                             | <b>135,084</b>                             | -           | <b>429,327</b>                            | 25,883      |
| Lodging and travel expenses                                   | <b>55,637</b>                              | -           | <b>169,774</b>                            | 890         |
| Geophysics  | -  | -           | <b>64,174</b>                             | -           |
| Analysis  | <b>114,927</b>                             | -           | <b>219,520</b>                            | 1,797       |
| Drilling  | <b>155,317</b>                             | -           | <b>243,825</b>                            | -           |
| Supplies and equipment  | <b>19,228</b>                              | -           | <b>73,408</b>                             | 1,027       |
| Taxes, permits and insurance                                  | <b>5,895</b>                               | -           | <b>7,995</b>                              | 56          |
| Mineral properties cost                                       | <b>167</b>                                 | -           | <b>693</b>                                | -           |
| <b>Exploration and evaluation expenses before tax credits</b> | <b>486,255</b>                             | -           | <b>1,208,716</b>                          | 29,653      |
| Tax credits, net  | <b>(33,004)</b>                            | -           | <b>(141,557)</b>                          | -           |
| <b>Exploration and evaluation expenses</b>                    | <b>453,251</b>                             | -           | <b>1,067,159</b>                          | 29,653      |