



## **GEOMEGA RESOURCES INC.**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 29, 2016**

### **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 29, 2016 \$	May 31, 2015 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	3	1,587,042	454,671
Sales tax receivable		21,120	35,534
Tax credits receivable		79,547	225,980
Prepaid expenses and other		33,367	55,921
<b>Current assets</b>		<b>1,721,076</b>	<b>772,106</b>
<b>Non-current</b>			
Tax credits receivable		92,092	129,208
Exploration and evaluation assets	4	18,393,661	17,895,108
Property and equipment		215,914	241,759
<b>Non-current assets</b>		<b>18,701,667</b>	<b>18,266,075</b>
<b>Total assets</b>		<b>20,422,743</b>	<b>19,038,181</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Advances received for Innord research grants	12	157,750	-
Trade and other payables		418,018	392,931
Obligations under finance leases		-	34,826
Flow-through share liability	5	52,876	-
<b>Total current liabilities</b>		<b>628,464</b>	<b>427,757</b>
<b>EQUITY</b>			
Share capital	6	28,227,662	26,525,148
Warrants	7	558,266	700,225
Broker options	8	23,595	119,910
Stock options		1,459,498	1,663,131
Contributed surplus		2,210,739	1,529,238
Deficit		(12,685,481)	(11,927,228)
<b>Total equity</b>		<b>19,794,279</b>	<b>18,610,424</b>
<b>Total liabilities and equity</b>		<b>20,422,743</b>	<b>19,038,181</b>

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

Going concern (Note 1)  
Subsequent events (Note 12)

*Approved on Behalf of the Board:*

*/s/ "Kiril Mugerman"*

Kiril Mugerman  
President and CEO

*/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 February 29,		Nine Month Period ended February 29,	
		2016 \$	2015 \$	2016 \$	2015 \$
<b>EXPENSES</b>					
Salaries, employee benefits and share-based compensation		115,354	173,694	357,254	444,209
Directors fees, net of a prospective adjustment from a settlement in shares		(151,250)	48,325	(52,500)	134,075
Exploration and evaluation expenses, net of tax credits	10	(73,895)	453,251	296,493	1,067,159
Research expenses, net of tax credits		6,668	6,631	18,643	19,584
Professional fees		50,230	19,223	187,786	155,519
Travel, conference and investor relations		2,818	44,904	22,386	156,230
Administration		5,971	15,242	25,372	31,142
Filing fees		21,537	12,101	48,142	56,666
Rent		7,600	7,306	22,213	21,635
Insurance, taxes and permits		11,221	15,520	33,160	27,025
Depreciation of property and equipment		-	4,328	-	7,442
<hr/>					
<b>Loss (gain) before under noted items</b>		<b>(3,746)</b>	800,525	<b>958,949</b>	2,120,686
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Other income		(4,400)	-	(4,400)	-
Interest expenses (gain)		768	(4,634)	(4,576)	(13,570)
Finance costs		3,675	2,097	6,813	18,068
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<b>Loss (gain) before income taxes</b>		<b>(3,703)</b>	797,988	<b>956,786</b>	2,125,184
Deferred income taxes recovery		(28,693)	(94,444)	(198,533)	(208,462)
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<b>Loss (gain) and comprehensive loss (gain) for the year</b>		<b>(32,396)</b>	703,544	<b>758,253</b>	1,916,721
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<b>Basic and diluted loss (gain) per share</b>		<b>0.00</b>	0.01	<b>0.01</b>	0.04
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Weighted average number of common shares outstanding - Basic and diluted		66,197,832	54,408,911	63,072,397	52,871,514

*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 29</b>	<b>Note</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>
As at May 31, 2014		25,337,856	620,253	110,046	1,556,330	1,464,563	(9,619,741)	19,469,307
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	-	-
<b>As at February 28, 2015</b>		<b>26,525,148</b>	<b>700,225</b>	<b>119,910</b>	<b>1,664,608</b>	<b>1,520,590</b>	<b>(11,536,462)</b>	<b>18,994,019</b>
<b>As at May 31, 2015</b>		<b>26,525,148</b>	<b>700,225</b>	<b>119,910</b>	<b>1,663,131</b>	<b>1,529,238</b>	<b>(11,927,228)</b>	<b>18,610,424</b>
Loss and comprehensive loss for the period		-	-	-	-	-	(758,253)	(758,253)
Share-based compensation		-	-	-	46,387	-	-	46,387
Shares issued and to be issued for private placements <sup>(1)</sup>	6, 7	1,725,885	261,656	-	-	-	-	1,987,541
Share issuance costs	6, 7	(49,621)	(10,591)	9,195	-	-	-	(51,017)
Shares for debt	6	26,250	-	-	-	-	-	26,250
Expired warrants		-	(393,024)	-	-	340,162	-	(52,862)
Expired stock options		-	-	-	(250,020)	250,020	-	-
Expired broker options		-	-	(105,510)	-	91,319	-	(14,191)
<b>As at February 29, 2016</b>		<b>28,227,662</b>	<b>558,226</b>	<b>23,595</b>	<b>1,459,498</b>	<b>2,210,739</b>	<b>(12,685,481)</b>	<b>19,794,281</b>

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

<sup>(1)</sup> As at February 29, 2016, 9,571,429 shares are still to be issued by the Company as described in note 6

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

(Unaudited, in Canadian Dollars)

	Nine Month Period Ended February 29,	
	2016	2015
Note	\$	\$
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(758,253)	(1,916,721)
Adjustments for:		
Share-based compensation	70,473	109,304
Depreciation of property and equipment	-	7,442
Deferred income tax recovery	(198,533)	(208,462)
Changes in non-cash working capital items:		
Sales tax receivable	14,414	21,986
Tax credits receivable	(104,013)	4,099
Prepaid expenses and other	22,554	(52,651)
Trade and other payables	44,826	(231,968)
Advances received for Innord research grants	157,570	-
<b>Cash flows used in operating activities</b>	<b>(750,962)</b>	<b>(2,266,971)</b>
<b>INVESTING ACTIVITIES</b>		
Additions of exploration and evaluation assets	(497,524)	(914,095)
Tax credit received	315,468	273,680
Additions of property and equipment	(17,562)	(30,859)
<b>Cash flows from (used) in investing activities</b>	<b>(199,618)</b>	<b>(671,274)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of units and shares, net of issue costs	2,117,777	1,225,994
Proceeds from exercise of warrants	-	250,000
Payments on obligations under finance leases	(34,826)	(39,774)
<b>Cash flows from (used) financing activities</b>	<b>2,082,951</b>	<b>1,436,220</b>
<b>Net change in cash and cash equivalents</b>	<b>1,132,371</b>	<b>(1,502,025)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>454,671</b>	<b>2,399,775</b>
<b>Cash and cash equivalents, end of the period</b>	<b>1,587,042</b>	<b>897,750</b>
<b>Additional information</b>		
Interest received	3,597	15,464
Interest paid	(4,326)	(17,446)
Addition of exploration and evaluation assets included in trade and other payables	28,862	82,898
Shares issued for debt	26,250	-

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

**GEOMEGA RESOURCES INC.**  
**Notes to Consolidated interim Financial Statements**  
**February 29, 2016**  
(Unaudited, in Canadian Dollars)

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

Geomega Resources Inc. (the “GéoMégA”) 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 75 De Mortagne Boulevard, Boucherville, Quebec, Canada, J4B 6Y4. These unaudited condensed interim financial statements were approved by the Company’s Board of Directors on April 29, 2016.

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 29, 2016, the Company reported a loss of \$758,253 and an accumulated deficit of \$12,685,481 at that date. As at February 29, 2016, the Company had working capital of \$1,092,612 and cash and cash equivalents of \$1,587,042 of which \$370,957 is reserved for the flow-through expenses. Management estimates that the working capital will not be sufficient to meet the Company’s obligations and commitments and budgeted expenditures through February 28, 2017. 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, 2015, 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, 2015.

**GEOMEGA RESOURCES INC.**  
**Notes to Consolidated interim Financial Statements**  
**February 29, 2016**  
(Unaudited, in Canadian Dollars)

**3. CASH AND CASH EQUIVALENTS**

	<b>February 29, 2016</b>	May 31, 2015
	\$	\$
Cash <sup>(1)</sup>	<b>1,483,900</b>	74,671
Investments redeemable at any time	<b>103,142</b>	380,000
	<b>1,587,042</b>	454,671
<u>Less : cash reserved for qualifying exploration expenditures</u>	<b>(370,957)</b>	-
Cash and cash equivalents	<b>1,216,085</b>	454,671

<sup>(1)</sup> The cash includes \$500,000 with respect to the shares to be issued described in note 6 and \$157,500 in advances for research grants to Innord.

**4. 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 163 mining claims totalling 9,053 hectares as at February 29, 2016.

The property is subject to a royalty of 2% of the net proceeds to NioGold Mining Corporation ("NioGold"). On May 27, 2015, the Company entered into an agreement with NioGold under which an option, without charge, was granted to redeem the 2% royalty on Montviel for \$ 2 million.

**Anik property (Gold)**

The Company owns 100% of the Anik property, located 40 km south of the town of Chapais. The Anik property comprises 151 claims totalling 8,452 hectares as at February 29, 2016.

**McDonald property (Gold)**

The Company owns 100% of the McDonald property, located 30 km east of the Montviel property. The McDonald property comprises 163 claims totalling 9,033 hectares as at February 29, 2016.

**Rivière à l'aigle property (Gold)**

The Company owns 100% of the Rivière à l'aigle property, located 60 km south of the town of Chapais. The Rivière à l'aigle property comprises 161 claims totalling 9,026 hectares as at February 29, 2016.

**Lac Storm property (Gold)**

The Company owns 100% of the Lac Storm property, located 100 km north of the Montviel property. The Lac Storm property comprises 17 claims totalling 923 hectares as at February 29, 2016.

**3G property (Gold)**

The Company owns 100% of the 3G property, located 40 km east of the Montviel property. The 3G property comprises 11 claims totaling 609 hectares as at February 29, 2016.

**GEOMEGA RESOURCES INC.**  
**Notes to Consolidated interim Financial Statements**  
**February 29, 2016**  
(Unaudited, in Canadian Dollars)

**Maryse property (Gold)**

During the three and nine months ended February 29, 2016, the Company acquired 100% of the Maryse property, located 30 km of the town of Chapais. The Maryse property comprises 8 claims totalling 444 hectares as at February 29, 2016.

**Gaspard property (Gold)**

During the nine months ended February 29, 2016, the Company acquired 100% of the Gaspard property, located 40 km east of the Montviel property. The Gaspard property comprises 30 claims totalling 1,679 hectares as at February 29, 2016.

**Buckingham property (Graphite)**

The Company owns 100% of the Buckingham property, located in the town of Buckingham. The Buckingham property comprises 13 claims totalling 782 hectares as at February 29, 2016. The property was subsequently sold by the company (note 12).

**MINERAL PROPERTIES**

<b>QUEBEC</b>	Montviel	Anik	McDonald	Rivière à l'aigle	Lac Storm	3G	Maryse	Gaspard	Buckingham	Total
May 31, 2014	6,933,364	20,237	17,347	-	-	-	-	-	2,172	6,973,120
Additions	6,498	28,173	4,615	6,036	939	790	-	-	-	47,051
Impairment	(11,850)	-	-	-	-	-	-	-	-	(11,850)
<b>May 31, 2015</b>	<b>6,928,012</b>	<b>48,410</b>	<b>21,962</b>	<b>6,036</b>	<b>939</b>	<b>790</b>	<b>-</b>	<b>-</b>	<b>2,172</b>	<b>7,008,321</b>
<b>Additions</b>	<b>111</b>	<b>-</b>	<b>9,208</b>	<b>3,480</b>	<b>-</b>	<b>-</b>	<b>1,517</b>	<b>1,658</b>	<b>1,437</b>	<b>17,411</b>
<b>February 29, 2016</b>	<b>6,928,123</b>	<b>48,410</b>	<b>31,170</b>	<b>9,516</b>	<b>939</b>	<b>790</b>	<b>1,517</b>	<b>1,658</b>	<b>3,609</b>	<b>7,025,732</b>

**EXPLORATION AND EVALUATION EXPENDITURES CAPITALIZED**

<b>QUEBEC</b>	Montviel
May 31, 2014	9,839,258
Additions	1,052,065
Tax credits, net	(4,536)
<b>May 31, 2015</b>	<b>10,886,787</b>
<b>Additions</b>	<b>499,792</b>
<b>Tax credits, net</b>	<b>(18,652)</b>
<b>February 29, 2016</b>	<b>11,367,928</b>

	February 29, 2016	May 31, 2015
Mineral properties	7,025,732	7,008,321
Exploration and evaluation expenditures capitalized	11,367,928	10,886,787
<b>Total exploration and evaluation assets</b>	<b>18,393,661</b>	<b>17,895,108</b>



**GEOMEGA RESOURCES INC.**  
**Notes to Consolidated interim Financial Statements**  
**February 29, 2016**  
(Unaudited, in Canadian Dollars)

**5. FLOW-THROUGH SHARE LIABILITY**

	<b>February 29, 2016</b>	May 31, 2015
	\$	\$
Balance, beginning of year	-	30,480
Addition during the year, net of issue costs <sup>(i)</sup>	<b>237,221</b>	177,982
Reduction related to qualifying exploration expenditures being incurred	<b>(184,345)</b>	(208,462)
Balance, end of year	<b>52,876</b>	-

(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 ended February 29, 2016, the Company recorded a liability of \$237,221 (\$177,982 as at May 31, 2015) as a flow-through share liability, following the issuance of flow-through shares on June 19 and December, 2015. The flow-through share liability is reduced as the Company incurs qualifying flow-through expenses.

**6. SHARE CAPITAL**

(a) Authorized share Capital

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

(b) Issued

	<b>Number of shares</b>	<b>Carrying Value</b>
		\$
Balance – May 31, 2014	49,401,283	25,337,856
Private placements	6,528,277	933,959
Share issuance costs	-	(64,573)
Shares issued - Anik	60,000	15,150
Exercise of warrants	1,000,000	302,756
<b>Balance – May 31, 2015</b>	<b>56,989,560</b>	<b>26,525,148</b>
<b>Private placements</b>	<b>20,069 152</b>	<b>1,725,885</b>
<b>Share for debt issuance</b>	<b>375,000</b>	<b>26,250</b>
<b>Share issuance costs</b>	<b>-</b>	<b>(49,621)</b>
<b>Balance – February 29, 2016</b>	<b>77,433,712</b>	<b>28,227,662</b>

**Nine month period ended February 29, 2016**

On June 19, 2015 the Company completed a first tranche of a private placement consisting of 1,311,112 units at a price of \$0.18 per unit and 2,608,000 flow-through shares at a price of \$0.23 per flow-through share for aggregate gross proceeds of \$835,840. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional common share at a price of \$0.23 per share for a period of 24 months from June 19, 2015.

On July 3, 2015, the Company completed the final tranche of a private placement consisting of 1,294,444 units at a price of \$0.18 per Unit for aggregate gross proceeds of \$233,000. Each Unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional common share at a price of \$0.23 per share for a period of 24 months from July 3, 2015.

On December 30, 2015 the Company completed a first tranche of a private placement consisting of 3,434,167 flow-through shares at a price of \$0.09 per flow-through share for aggregate gross proceeds of \$309,075. The flow-through shares acquired by the subscribers are subject to a hold period of 4 months plus one day from the closing date, ending on May 2, 2016, except as permitted by applicable securities legislation and the rules of TSX Venture Exchange. In connection with this private placement, the Company has paid a cash finder's fee in an amount of \$20,689 and issued 229,875 non-transferable brokers options to acquire such number of common shares at a price of \$0.09, exercisable for a period of 18 months, which common shares would subsequently be and subject to a hold period of 4 months plus one day from the closing date.

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

**6. SHARE CAPITAL (continued)**

On February 23, 2016, the Company completed the final tranche of a non-brokered private placement consisting of 11,421,429 units at a price of \$0.07 per Unit for aggregate gross proceeds of \$799,500, of which 9,571,429 Units are currently held in escrow pending TSX Venture Exchange approval of the final documentation. Each Unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional common share at a price of \$0.09 per share for a period of 24 months from February 23, 2016. The Company has the right to force the exercise of the warrants if, after the restricted period on resale of four months and one day, the volume weighted average market price of the common shares exceeds \$ 0.50 for 10 consecutive days. Warrants holders will have 30 days to exercise the warrants following the receipt of notice of the Company, failing which the warrants will expire automatically.

During the quarter ended February 29, 2016, the Company has entered into an agreement to issue shares for debt with the directors of the Company. In consideration for settlement of a total combined debt of \$177,500 owing to the directors by the Company, the Company issued the independent directors of the Company a total of 375,000 common shares for \$26,250, representing the fair value of the shares at the date of issuance.

**7. WARRANTS**

The following tables summarize the warrants outstanding as at February 29, 2016. Each warrant entitles the holder to subscribe to one common share.

	Number of warrants	Carrying Value \$	Weighted Average Exercise Price \$
Balance - May 31, 2014	7,767,389	620,253	0.57
Issued	2,264,138	181,131	0.25
Issue costs	-	(8,677)	-
Exercised	(1,000,000)	(52,756)	0.25
Expired	(2,074,223)	(39,726)	0.96
<b>Balance - May 31, 2015</b>	<b>6,957,304</b>	<b>700,225</b>	<b>0.40</b>
Issued	7,013,493	261,656	0.16
Issue costs	-	(10,591)	-
Expired	(1,866,666)	(393,024)	0.90
<b>Balance - February 29, 2016</b>	<b>12,104,131</b>	<b>558,266</b>	<b>0.16</b>

Expiration date	Number of warrants	Weighted Average Exercise Price \$
November 2016	1,662,500	0.21
November 2016	2,264,138	0.25
December 2016	164,000	0.21
June 2017	1,302,778	0.23
February 2018	5,710,715	0.09
July 2019	1,000,000	0.15
	<u>12,104,131</u>	

On August 26, 2015, the Company agreed, subject to the approval of the TSX Venture Exchange, to extend to July 1, 2019 the term of the 1,000,000 share purchase warrants held by Dr. Pouya Hajiani, PhD., an employee, and issued in consideration for all rights, title and interest in two patents related to the Company's rare earth elements physical separation process. In addition, the intrinsic fair value of the warrants shall no longer be capped at \$5 million at the time they become exercisable. All other terms and conditions of the warrants remain unchanged.

**GEOMEGA RESOURCES INC.**  
**Notes to Consolidated interim Financial Statements**  
**February 29, 2016**  
(Unaudited, in Canadian Dollars)

**8. BROKER OPTIONS**

The number of outstanding broker options as at February 29, 2016 which could be exercised for an equivalent number of units or shares is as follows:

	Number of broker options for common shares	Carrying Value \$	Weighted Average Exercise Price \$
<b>Balance - May 31, 2015</b>	<b>424,167</b>	<b>119,910</b>	<b>0.47</b>
Issued	229,875	9,195	0.09
Expired	(264,167)	(105,510)	0.60
<b>Balance – February 29, 2016</b>	<b>389,875</b>	<b>23,595</b>	<b>0.17</b>

<u>Expiration date</u>	Number of broker options for common shares	Weighted Average Exercise Price \$
November 2016	160,000	0.25
June 2017	229,875	0.09
	389,875	

**9. 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 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 September 14, 2015, the Company granted to an officer a total of 300,000 stock options at an exercise price of \$0.085 per share for a period of 5 years.

On November 23, 2015, the Company granted to directors, officers and employees a total of 790,000 stock options at an exercise price of \$0.07 per share for a period of 5 years.

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 29, 2016:

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**9. STOCK OPTIONS (continued)**

	Number of Options	Weighted Average Exercise Price \$
Outstanding - May 31, 2014	2,782,500	0.81
Granted	810,000	0.25
Expired	(146,875)	0.40
Forfeited	(125,625)	0.27
<b>Outstanding- May 31, 2015</b>	<b>3,320,000</b>	<b>0.60</b>
<b>Granted</b>	<b>1,090,000</b>	<b>0.07</b>
<b>Expired</b>	<b>(1,122,500)</b>	<b>0.68</b>
<b>Forfeited</b>	<b>(142,500)</b>	<b>0.26</b>
<b>Outstanding- February 29, 2016</b>	<b>3,145,000</b>	<b>0.40</b>

Range of Exercise Price (\$)	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Exercise Price \$	Remaining Life (years)	Number of Options	Weighted Average Exercise Price \$
0.10 to 1.00	2,670,000	0.18	3.49	1,337,500	0.25
1.01 to 2.00	325,000	1.50	0.58	325,000	1.50
2.01 to 3.00	150,000	2.08	0.50	150,000	2.08
	<u>3,145,000</u>			<u>1,812,500</u>	

In total, \$46,387 of share-based compensation expense was recognized during the nine months ended February 29, 2016 with \$44,225 included in the statement of loss and comprehensive loss and \$2,162 capitalized in exploration and evaluation assets (\$109,304 and \$10,739 respectively for 2015).

**10. EXPLORATION AND EVALUATION EXPENSES**

	Three Months ended February 29		Nine Months ended February 29,	
	2016 \$	2015 \$	2016 \$	2015 \$
Salaries, geology and prospecting	25,078	135,084	234,284	429,327
Lodging and travel expenses	3,566	55,637	66,356	169,774
Geophysics	-	-	23,437	64,174
Analysis	187	114,927	49,689	219,520
Drilling	-	155,317	9,900	243,825
Supplies and equipment	332	19,228	13,709	73,408
Taxes, permits and insurance	1,520	5,895	3,696	7,995
Mineral properties cost	(562)	167	(562)	693
<b>Exploration and evaluation expenses before tax credits</b>	<b>30,121</b>	<b>486,255</b>	<b>400,509</b>	1,208,716
Tax credits, net	(104,016)	(33,004)	(104,016)	(141,557)
<b>Exploration and evaluation expenses</b>	<b>(73,895)</b>	<b>453,251</b>	<b>296,493</b>	1,067,159

**11. FINANCIAL ASSETS AND LIABILITIES**

During the nine months ended February 29, 2016, a claim concerning the departure of a senior executive has been filed against the Company. In the opinion of management, this claim is unfounded and, accordingly, no provision has been recorded in these consolidated financial statements.

# GEOMEGA RESOURCES INC.

## Notes to Consolidated interim Financial Statements

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(Unaudited, in Canadian Dollars)

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### 12. SUBSEQUENT EVENTS

- a) On March 3, 2016, GéoMégA announced that the Fonds du Plan Nord (“Plan Nord”), the Société de développement de la Baie-James (“SDBJ”) and the Administration régionale Baie-James (“ARBJ”), will be investing in the share capital of Innord Inc. (“Innord”). With this injection of additional funds, Innord, a wholly-owned subsidiary of GéoMégA, will receive a total of \$500,000 from the Fonds du Plan Nord, the SDBJ and the ARBJ (\$150,000 received as a February 29, 2016). A total of \$250,000 will be held in escrow pending TSX Venture Exchange approval of the final documentation. Upon receiving of all the funds, GéoMégA will control 96.1% of Innord.
- b) On April 6, 2016, GéoMégA and Innord Inc. announced that the two companies signed a Technology License Agreement (“TLA”) pursuant to which GéoMégA is granted a non-exclusive license to build and operate processing and separation facilities using the licensed technology (“Licensed Technology”). The Licensed Technology includes the patent applications for “A system and method for separation and purification of dissolved rare earth/precious metals elements/compounds” covered under patent application 2,893,793 (Canada) and 14/653,777 (U.S.A) and for “A system and a method for metallurgical extraction of REE and Nb from Ferro-Carbonatite” covered under patent application 62/180,663. The companies will continue to work jointly on developing the technologies, scaling up, implementing pilot plants and attaining industrial application. The TLA is not limited in time and is not restricted to any particular territory. As part of the agreement, GéoMégA will pay Innord a 0.5% Net Value Royalty (“NVR”) for all sales of products produced in a processing and separation facility utilizing the Licensed Technology. In the case where the processing and the separation facility are located in the James Bay Territory, the NVR will be of 0.25%. GéoMégA reserves the right to re-purchase half of the royalty (0.25% or 0.125% depending on the case) from Innord for \$250,000. The balance of the royalty could be re-purchased by paying an additional fee, to be negotiated based on market value and agreed upon by both parties at a later date. The Royalty can only be re-purchased once GéoMégA has reached commercial production and only if Innord’s main revenue is no longer that from the GéoMégA royalty. As a control person of Innord, GéoMégA will be an interested party to the transaction. The transaction is exempt from the formal valuation and shareholder approval requirements provided under Regulation 61-101 respecting Protection of Minority Holders in Special Transactions (“Regulation 61-101”) in accordance with sections 5.5(a) and 5.7(a) of said Regulation 61-101.
- c) On April 6, 2016, GéoMégA signed a property purchase agreement with Saint Jean Carbon Inc. (“Saint Jean”) whereby Saint Jean will acquire a 100%-interest in the Buckingham mining property. The property consists of 13 claims located in southwestern Quebec. Under the terms of the agreement, GéoMégA will receive 1,500,000 common shares of Saint Jean subject to TSX Venture Exchange approval. GéoMégA will retain a 0.75% Net Output Returns Royalty on the property.