



Geomega Resources Inc.

Management's Discussion and Analysis
Quarterly Highlights

Three months ended August 31, 2016

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Management Discussion & Analysis – Quarterly Highlights

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The following quarterly highlights management discussion and analysis (the “MD&A Highlights”) of the financial condition and results of the operations of GéoMégA Resources Inc. (the “Company” or “GéoMégA”) constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for Q1-17. This MD&A Highlights should be read in conjunction with the Corporation’s unaudited condensed interim financial statements as at August 31, 2016 prepared in accordance with the International Financial Reporting Standards (“IFRS”), as well as with the management discussion and analysis for the year ended May 31, 2016. All figures are in Canadian dollars unless otherwise noted.

Further information regarding the Corporation and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be found on www.sedar.com.

Abbreviation	Period
Q1-16	June 1, 2015 to August 31, 2015
Q2-16	September 1, 2016 to November 30 2016
Q3-16	December 1, 2016 to February 29, 2016
Q4-16	March 1, 2016 to May 31, 2016
Fiscal 16	June 1, 2015 to May 31, 2016
Q1-17	June 1, 2016 to August 31, 2016
Q2-17	September 1, 2016 to November 30, 2016
Q3-17	December 1, 2016 to February 28, 2017
Q4-17	March 1, 2017 to May 31, 2017
Fiscal 17	June 1, 2016 to May 31, 2017

1. NATURE OF ACTIVITIES

GéoMégA is a mineral exploration and evaluation company focused on the discovery and sustainable development of economic deposits of metals in Quebec. GéoMégA is committed to meeting the Canadian mining industry standards and distinguishing itself with innovative engineering, high stakeholder engagement and dedication to local transformation benefits.

As society moves from consumption of fossil fuels to more sustainable energy sources, GéoMégA believes that the future of clean energy resides in one of the rare earth elements (“REE”) called neodymium. Neodymium is vital for the production of high-performance permanent magnets used in a wide variety of electrical motors. Such motors are in increasing demand with the growth of sustainable-energy initiatives such as hybrid and electric vehicles and direct-drive wind turbines.

Innord Inc. (“Innord”) is the innovation arm of GéoMégA and was created in March 2015 to optimize the value of the separation technology by facilitating its development through direct investments of key financial partners. Innord is a subsidiary of GéoMégA that holds all the separation rights and laboratory equipment previously held by GéoMégA. The primary goal of Innord is to successfully scale-up its proprietary REE separation process. Looking towards the future, all research and development initiatives of GéoMégA will be conducted by Innord.

2. CORPORATE UPDATE

2.1 Innord financing

On March 3, 2016, the Company announced that the Société du Plan Nord (“SPN”), the Société de développement de la Baie-James (“SDBJ”) and the Administration régionale Baie-James (“ARBJ”), will be investing in Innord. With this injection of funds, Innord should receive a total of \$500,000 from the SPN, the SDBJ and the ARBJ. An initial portion of \$150,000 out of a total potential grant of \$250,000 was received from the SPN during the year ended May 31, 2016. The remaining balance of the government grant to be received is subject to meeting certain conditions.

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2. CORPORATE UPDATE (CONT'D)

A total equity investment of \$250,000 was received from SDBJ and ARBJ in June 2016, when the transaction closed. Following this investment, the Company now holds 96.16% of Innord. SDBJ and ARBJ have different exchange options (described in further details in note 10 of the Q1-17 financial statements) that are dependent on the conclusion, positive or negative, of the phase 1A, which is to reach one kilogram per day capacity for the REE separation process. Not controlling the outcome of phase 1A, the Company recorded a \$500,000 liability related to share exchange rights corresponding to the option where the investors would exchange their shares in Innord against shares of the Company. Also, under certain conditions, the investors can exchange their share for a 0.05% royalty on the net profits resulting from the commercial production of the separation plant or for a 0.1% net smelter return royalty on the Anik property.

2.2 Financial Highlights

GéoMégA has a working capital of \$719,507 as of August 31, 2016 (\$861,074 as of May 31, 2016). From this working capital, the Company has to dedicate \$144,444 to Canadian mining properties exploration, pursuant to the restrictions imposed by the December 30, 2015 flow-through financing. The Company is constantly seeking financing or business opportunities.

The Corporation reported a net loss of \$197,799 in Q1-17 compared to \$455,010 for Q1-16. The main variation are as follow:

- Salaries, employee benefits and share-based compensation \$72,128 (\$191,967 in Q1-16. Due to management change, the head count was reduced;
- Exploration and evaluation expenses, net of tax credits \$60,000 (194,885 in Q1-16) (see section 4);
- Gain on disposal of exploration and evaluation assets \$71,391 (nil in Q1-16). On April 6, 2016, the Company signed a property purchase agreement with Saint Jean Carbon Inc. ("Saint Jean") whereby Saint Jean acquired a 100% interest in the Buckingham mining property. Under the terms of the agreement, the Company received 1,500,000 common shares of Saint Jean valued at \$75,000 as per the Exchange price on the day the Company received the shares. The Company retains a 0.75% net output returns royalty on the property.

2.3 AMF investigation

On July 14, 2016, the Company announced that an investigation, focusing on one of the Company's employee in regards to trading activities in GéoMégA securities while in possession of information and for providing that information to others, was being conducted by the Autorité des marchés financiers ("AMF"), the securities regulatory authority in the Province of Quebec. In light of these allegations, the Company has put in place operational safeguards to protect its interests and those of its shareholders. The Company is continuing to monitor the investigation as it proceeds.

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3. MONTVIEL PROPERTY (REE – 187 CLAIMS – 100% INTEREST)

3.1 Expense summary - Montviel property

Montviel	Q1-17	Q1-16
	\$	\$
Exploration		
Assays and drilling	3,152	25
Geology	57,895	25,225
Transport and lodging	21,190	20,898
Geophysics and Geochemistry	9,750	-
Depreciation of property and equipment	6,493	10,141
Taxes, permits and insurances	448	3,803
Total exploration	98,928	60,092
Evaluation		
Mine design	-	47,953
Hydrogeology, Geochemistry, geotechnical and geomechanical	-	3,300
Metallurgy and processing	-	48,418
Separation process	71,751	53,029
Depreciation of property and equipment	10,134	-
Other	-	23,672
Total Evaluation	81,885	176,372
Total additions	180,813	236,463
Government grants	(23,884)	-
Total Exploration and Evaluation expenditures capitalized	156,929	236,463

Alain Cayer, P. Geo., M.Sc., Vice-President Exploration of GéoMégA, a qualified persons as defined in NI 43-101 supervised the preparation of the technical information in this section.

In June 2016, a geological reconnaissance campaign of the Montviel property was initiated. The main objective was to investigate the precious and base metals potential in both the Montviel alkaline system and in the greenstones belt located to the north and to the south of the system. As a result of this exploration program, several mining claims have been modified in order to secure the most favorable sectors. A total of 35 new claims were added to the property in 2 sectors that show strong potential and a total of 23 claims have been abandoned in July and October of 2016. A more in depth investigation in these sectors will be proposed for the next exploration program.

3.2 Preliminary Economic Assessment (“PEA”)

The corporate commitment to sustainable development dictated the following operational parameters for the Montviel project: i) underground mining scenario with paste backfill, ii) reduction in reagents to be transported by road and iii) electrical operations with a low voltage power line. It has taken more than three and a half years of metallurgical work and optimization to meet these three parameters.

In 2015, Montviel's flow sheet was greatly simplified. All of the acid required for hydrometallurgy will be generated on site with the insertion of a closed loop acid regeneration unit. In addition, two physical adjustments at the beneficiation step significantly decrease the ore mass moving to hydrometallurgy.

To complete the PEA, the primary remaining work is the evaluation of the cost of the plant and infrastructure based on the May 2015 flow sheet (see press release dated May 20, 2015). The Company is focussing on the separation technology and will pursue the remaining work for the PEA subsequently.

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3. MONTVIEL PROPERTY (CONT'D)

3.3 Environmental Geochemistry

A collaboration with Dr. Parisa Ariya from the McGill University, conjointly with the CREATE – Mine of Knowledge will help to fill gaps in the base line study database, particularly regarding air quality measurements on the Montviel site and in the communities in the vicinity of the project. The first sampling campaign on Montviel and the surrounding communities was completed in June 2016. The study protocol and initial results will be reviewed towards the end of 2016 or in early 2017. Further collaboration with the Ariya Interfacial Chemistry Research Group is to be expected.

In April 2015, the Company installed on the future exploitation site, 7 barrels (field cells) containing over 250 kg of each rock types encountered in the Montviel project. These lithologies include ore as well as proximal and distal waste rock that was encountered in the axe of the future access ramp. The leachates are analysed periodically. Four sampling sessions have been carried out to date (fall 2015, spring, summer and fall 2016). Several assays are still pending but initial results show no environmental concerns.

The collaboration between the URSTM and the Company will continue with a doctoral project (by Mr. Mohamed Adahbi under the supervision of M. Benoit Plante) that is oriented towards the geochemical behavior (speciation) of the different forms of rare earth that can be found at the Montviel site. This study will allow for a better understanding of the environmental issues by providing information on barium and rare earth mobility and is expected to last at least 10 years. The project is expected to be extended with a further collaboration involving the scale up comparison between the humid cell results and the field cells to assure full comprehension of the weathering effects on the stock piles.

The first phase of field collaboration with the University of Lorraine (Nancy, France) and Dr. Laure Giamberini took place at the end of June 2016. This first phase includes a summary inventory of the microorganisms present at the Montviel site and a study on the bioavailability of rare earths for these organisms. The study protocol and initial results will be reviewed towards the end of 2016 or in early 2017.

3.4 Separation of rare earths through electrophoresis (patent pending) INNORD

Dr. Pouya Hajiani, process inventor and engineer and CTO of GéoMégA supervised and approved the technical information of this section.

Rare earth separation through electrophoresis has the potential to reduce the capital required to build separation plants compared with the construction of plants based on conventional techniques (i.e. fractional precipitation, ion exchange and solvent extraction), to optimize the recovery of REE and improve the environmental performance of operations. This new process does not use any organic solvent which should have a positive impact on environmental risks in addition to reducing operating costs.

Electrophoresis is the migration of charged species (ions, proteins, particles) in a solution in the presence of an electric field. Each ion moves toward the opposite electrical polarity electrode. For a given set of solution conditions and electric field intensity, the rate of migration depends on a characteristic number known as the electrophoretic mobility. The electrophoretic mobility is directly proportional to the ratio of the load and the size of the ion.

On June 21, 2016, the Company announced that Innord has successfully completed separation of a synthetic mixture of three rare earth elements, using its own initial prototype in the lab facility in Boucherville. Innord now has two operational electrophoreses prototypes with all the knowhow in-house.

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3. MONTVIEL PROPERTY (CONT'D)

The successful separation testing was based on three elements: Lanthanum (La), Europium (Eu) and Ytterbium (Yb). Working with three elements enables validating and comparing the results to those obtained in 2014, as initial test work back then was completed in collaboration with FFE Service GmbH (Germany) on the same three elements (see January 15, 2014 news release).

Two of the main objectives set forth in the current phase of development, maximizing the throughput capacity and minimizing the cost, were successfully handled to date. The two prototypes show a significant reduction in footprint as each prototype is several times smaller in comparison with that used in 2014. More importantly, testing to date is conducted in a liquid which contains 18 fold more REE per unit volume and work continues to increase the REE concentration further. Cost reduction is just as apparent. Each prototype is approximately one tenth in cost of that used in 2014. In addition, power consumption of the system per kg of REE has been lowered significantly during the latest optimization tests. Similar to previous tests, separation of multiple elements occurs simultaneously which remains one of the main advantages of the electrophoresis separation technology.

The initial module is of a flexible design that allows to adjust the various parameters required for separation with electrophoresis. Having such a device in-house is a significant advantage as it allows to run a multitude of testing conditions on the fast track, helps in further understanding and improving REE separation using electrophoresis. Moving forward, tests will continue on other synthetic concentrates, commercial concentrates, secondary feeds and test work to achieve high purity oxides. The current objective is to further improve the technology using the current prototypes and then use that knowledge to build a larger unit that will be able to process rare earths on a higher scale.

Reduction in size and cost combined with an increase in concentration bodes well with the modular approach of the company which is expected to allow for a gradual increase in processing capacity while minimizing the capital risk. With the initial prototype now operational, the main work being conducted in parallel is the increase in concentration, a key point in demonstrating that separation using electrophoresis can be scaled up in a financially viable way.

Other important outstanding items to complete phase 1A is the numerical modeling and the construction of a larger prototype with a 1 kilogram per day capacity.

The modular approach the Company envisions, gives a lot of flexibility regardless of the market conditions. A technology that is not feed dependant (can process heavy or light primary feeds or secondary feeds), offers a solid opportunity to gradually penetrate the market while advancing the Montviel project and be in a favorable position to build a REE mine in Québec.

The Company is focusing all its efforts on the work required for phase 1A and is hoping to finish the current phase of work in the beginning of 2017.

All the tests and assay analyses were performed at Innord's laboratory at the National Research Council Canada facility in Boucherville, Canada. The analyses were completed on every sample using ICP-EOS spectrometer.

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4 GOLD PROPERTIES PORTFOLIO

	Q1-17	Q1-16
	\$	\$
Anik		
Salaries, geology and prospection	5,147	59,882
Lodging and travel expenses	179	24,222
Analysis		19,612
Drilling		9,900
Geophysics		650
Supplies and equipment	420	7,104
Taxes, permits and insurance	942	52
	6,688	121,422
MacDonald		
Salaries, geology and prospection	1,328	35,489
Lodging and travel expenses	-	6,611
Supplies and equipment	-	2,549
	1,328	44,649
Rivière à l'aigle		
Salaries, geology and prospection	23,788	13,022
Lodging and travel expenses	4,826	4,720
Analysis	-	6,218
Geophysics	-	650
Supplies and equipment	1,932	1,163
	30,546	25,773
Gaspard		
Salaries, geology and prospection	2,058	-
Lodging and travel expenses	1,681	-
Supplies and equipment	43	-
	3,782	-
Lac Storm		
Lodging and travel expenses	-	100
Geophysics	-	650
	-	750
3G		
Salaries, geology and prospection	608	1,641
Geophysics	-	650
	608	2,291
Generation of projects		
Salaries, geology and prospection	15,013	-
Lodging and travel expenses	83	-
Analysis	1,952	-
	17,048	-
Total exploration and evaluation expenditures	60,000	194,885

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4. GOLD PROPERTIES PORTFOLIO (CONT'D)

Alain Cayer, P. Geo., M.Sc., Vice-President Exploration of GéoMégA, a qualified persons as defined in NI 43-101 supervised the preparation of the technical information in this section.

The gold projects portfolio includes 8 properties which are owed 100% by the Company: Anik, McDonald, Rivière à l'aigle, Maryse, Lac Storm, 3G, Gaspard and Comptois. All properties, except for Lac Storm, are located in the urbanized lower part of Northern Quebec (above the 49th parallel) and all properties benefit from permanent road access, and close proximity to both public infrastructure and an experienced workforce.

4.1 Anik (Gold – 153 claims – 100% interest)

Some geological verification work was completed at the “Bobby” and “Kovy” trenches in preparation of a proposed winter drilling campaign during the winter of 2016-17.

4.2 Rivière à l'aigle (Gold – 161 claims – 100% interest)

The Rivière à l'aigle property is located 30 km southwest of the Anik property and 20 km north-east from Windfall Lake area. It consists of 161 claims. The property has a particular geological setting displaying strong anomalies in the historical till survey. The property is located in an under-explored area.

In July 2016, a till sampling program was completed over the areas presenting strong gold anomalies. In total, 95 till samples were manually collected or excavated and were sent to ODM (Overburden Drilling Management Limited) in Ottawa to obtain the gold grain count. The heavy mineral concentrate of each till sample was sent to Actlabs (Activation Lab) for gold assays. In parallel, a sample of the fine fraction (<0.15mm) of each till sample was sent to ALS (ALS Laboratory Group” of Val-d’Or for multi-element analysis. The results from the 3 labs are expected at the end of the fall and these will allow to plan a more focused subsequent exploration program.

4.3 Comptois (Gold – 17 claims - 100% interest)

Two blocks of claims, 9 and 8 claims each, were staked in proximity of Lebel-sur-Quévillon in the area of the “Comptois – Zone Osborne” property of Minéraux Maudore Ltee.

October 28, 2016

(s) Kiril Mugerma

Kiril Mugerma
President and CEO

(s) Ingrid Martin

Ingrid Martin
CFO