



## **Geomega Resources Inc.**

Unaudited Condensed Interim Consolidated Financial Statements

Nine months ended February 28, 2017

*The attached financial statements have been prepared by Management of Geomega Resources Inc. and have not been reviewed by the auditors*

# Geomega Resources Inc.

## Consolidated Statements of Financial Position (Unaudited)

	Note	As at February 28, 2017 \$	As at May 31, 2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	210,999	1,372,840
Marketable securities	6.1	193,140	-
Accounts receivable		203,040	-
Sales tax receivable		16,602	24,765
Tax credits and government grant receivable		56,447	54,612
Prepaid expenses and others		23,698	22,395
Assets held for sale	5	102,260	-
<b>Current assets</b>		<b>806,186</b>	<b>1,474,612</b>
<b>Non-current assets</b>			
Marketable securities	6.1	-	-
Exploration and evaluation assets	6	17,818,015	17,516,788
Property and equipment		198,871	199,280
<b>Non-current assets</b>		<b>18,016,886</b>	<b>17,716,068</b>
<b>Total assets</b>		<b>18,823,072</b>	<b>19,190,680</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		427,756	515,096
Liability related to the premium on flow-through shares	7	-	98,442
<b>Current liabilities</b>		<b>427,756</b>	<b>613,538</b>
<b>Non-current liabilities</b>			
Liability related to share exchange rights	11	468,660	-
<b>Total Liabilities</b>		<b>896,416</b>	<b>613,538</b>
<b>Equity</b>			
Share capital		28,207,685	28,138,731
Warrants	9	691,579	559,010
Broker options	10	9,195	23,595
Stock options	11	383,918	1,134,067
Contributed surplus		3,436,069	2,616,232
Deficit		(14,946,308)	(13,894,493)
Accumulated other comprehensive loss		140,940	-
Equity attributable to Geomega Resources Inc.'s shareholders		17,923,078	18,577,142
Non-controlling interests		3,578	-
<b>Total equity</b>		<b>17,926,656</b>	<b>18,577,142</b>
<b>Total liabilities and equity</b>		<b>18,823,072</b>	<b>19,190,680</b>

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

# Geomega Resources Inc.

## Consolidated Statements of Comprehensive Loss (Unaudited)

	Note	Three months ended		Nine months ended	
		February 28 2017	February 29 2016	February 28 2017	February 29 2016
		\$	\$	\$	\$
<b>Operating Expenses</b>					
Salaries, employee benefits, severance pay and share-based compensation		52,702	115,354	282,024	357,254
Directors fees		18,750	(151,250)	56,250	(52,500)
Exploration and evaluation expenses, net of tax credits	13	16,013	-	45,518	-
Research expenses, net of tax credits		-	6,668	-	18,643
Professional fees		72,648	50,230	202,898	187,786
Travel conference and investor relations		3,468	2,818	16,183	22,386
Administration		6,567	5,971	19,918	25,372
Filing fees		13,123	21,537	45,921	48,142
Rent		11,826	7,600	35,479	22,213
Insurance, taxes and permits		6,829	11,221	26,746	33,160
Impairment of exploration and evaluation assets		-	-	26,641	-
Gain on disposal of exploration and evaluation assets		-	-	(71,391)	-
Gain on disposal of property and equipment		(5,000)	-	(5,000)	-
<b>Operating loss</b>		<b>(196,926)</b>	<b>(70,149)</b>	<b>(681,187)</b>	<b>(662,456)</b>
<b>Other income (expenses)</b>					
Other incomes		-	4,400	-	4,400
Interest income	12	-	(768)	(536)	4,576
Finance costs		(8,810)	(3,675)	(25,936)	(6,813)
Gain on disposal of marketable securities		2,835	-	2,835	-
Unrealized gain on the value of marketable securities from other comprehensive loss		6,840	-	6,840	-
		865	(43)	(16,797)	2,163
Net loss - continuing operations before income taxes		(196,061)	(70,192)	(697,984)	(660,293)
Deferred income taxes recovery		2,642	28,693	98,442	198,533
<b>Net loss - continuing operations</b>		<b>(193,419)</b>	<b>(41,499)</b>	<b>(599,542)</b>	<b>(461,760)</b>
(Net Loss) income - discontinued operations	5	(18,156)	73,895	(123,402)	(296,493)
<b>Net (loss) income</b>		<b>(211,575)</b>	<b>32,396</b>	<b>(722,944)</b>	<b>(758,253)</b>
<b>Other comprehensive loss</b>					
Unrealized gain due to change in value of marketable securities		125,280	-	147,780	-
Unrealized gain on the value of marketable securities transferred to the statement of Income		(6,840)	-	(6,840)	-
<b>Other comprehensive loss</b>		<b>118,440</b>	<b>-</b>	<b>140,940</b>	<b>-</b>
<b>Comprehensive loss</b>		<b>(93,135)</b>	<b>32,396</b>	<b>(582,004)</b>	<b>(758,253)</b>
Net (loss) income attributable to:					
Geomega Resources Inc. shareholders		(210,485)	32,396	(718,536)	(758,253)
Non-controlling interests		(1,090)	-	(4,408)	-
Net loss – continuing operations attributable to:					
Geomega Resources Inc. shareholders		(192,329)	(41,499)	(595,134)	(461,760)
Non-controlling interests		(1,090)	-	(4,408)	-
Comprehensive loss attributable to:					
Geomega Resources Inc. shareholders		(92,045)	32,396	(577,596)	(758,253)
Non-controlling interests		(1,090)	-	(4,408)	-

## Geomega Resources Inc.

### Consolidated Statements of Comprehensive Loss (Unaudited)

	Three months ended		Nine months ended	
	February 28	February 29	February 28	February 29
Note	2017	2016	2017	2016
	\$	\$	\$	\$
Basic and diluted loss per share	(0.003)	-	(0.009)	(0.012)
Basic and diluted loss per share – continuing operations	(0.002)	(0.001)	(0.008)	(0.007)
Basic and diluted (loss) income per share – discontinued operations	-	0.001	(0.002)	(0.005)
Weighted average number of basic and diluted outstanding shares	78,169,212	66,197,832	77,676,184	63,072,397

Other comprehensive loss is composed solely of items that may be reclassified subsequently to net loss.

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

# Geomega Resources Inc.

## Consolidated Statements of Changes in Equity (Unaudited)

	Note	Number of shares outstanding	Capital stock	Warrants	Broker Options	Stock Options	Contributed surplus	Deficit	Total equity
			\$	\$			\$	\$	\$
<b>Balance at May 31, 2015</b>		56 989 560	26 525 148	700 225	119 910	1 663 131	1 529 238	(11 927 228)	18 610 424
Loss and comprehensive loss for the period		-	-	-	-	-	-	(758 253)	(758 253)
Shared-based compensation		-	-	-	-	46 387	-	-	46 387
Shared issued for private placements		20 069 152	1 725 885	261 656	-	-	-	-	1 987 541
Shared insurance costs/ Shares for debt		-	(49 621)	(10 591)	9 195	-	-	-	(51 017)
Shares in debt settlement		375 000	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>Balance at February 29, 2016</b>		<b>77 433 712</b>	<b>28 227 662</b>	<b>558 266</b>	<b>23 595</b>	<b>1 459 498</b>	<b>2 210 739</b>	<b>(12 685 481)</b>	<b>19 794 279</b>

	Note	Number of shares outstanding	Capital stock	Warrants	Broker Options	Stock Options	Contributed surplus	Deficit	Accumulated other comprehensive loss	Equity attributable to Geomega Resources Inc.	Non- controlling interest	Total equity
			\$	\$			\$	\$				\$
<b>Balance at May 31, 2016</b>		77,433,712	28,138,731	559,010	23,595	1,134,067	2,616,232	(13,894,493)	-	18,577,142	-	18,577,142
Net loss		-	-	-	-	-	-	(718,536)	-	(718,536)	(4,408)	(722,944)
Other comprehensive loss		-	-	-	-	-	-	-	140,940	140,940	-	140,940
Comprehensive loss		-	-	-	-	-	-	(718,536)	140,940	(577,596)	(4,408)	(582,004)
Investment in Innord by non- controlling interest	12	-	-	-	-	-	-	242,014	-	242,014	7,986	250,000
Liability related to share exchange rights	12	-	-	-	-	-	-	(442,724)	-	(442,724)	-	(442,724)
Shared-based compensation		-	-	-	-	56,673	-	-	-	56,673	-	56,673
Shares issued in consideration for severance pay	8	774,337	65,819	-	-	-	-	-	-	65,819	-	65,819
Expired and forfeited stock-options		-	-	-	-	(805,437)	805,437	-	-	-	-	-
Exercised stock-options	11	25,000	3,135	-	-	(1,385)	-	-	-	1,750	-	1,750
Extended warrants	9	-	-	132,569	-	-	-	(132,569)	-	-	-	-
Expired broker options	10	-	-	-	(14,400)	-	14,400	-	-	-	-	-
<b>Balance at February 28, 2017</b>		<b>78,233,049</b>	<b>28,207,685</b>	<b>691,579</b>	<b>9,195</b>	<b>383,918</b>	<b>3,436,069</b>	<b>(14,946,308)</b>	<b>140 940</b>	<b>17,923,078</b>	<b>3,578</b>	<b>17,926,656</b>

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

**Geomega Resources Inc.**  
Consolidated Statements of Cash Flows  
(Unaudited)

	Note	Nine months ended	
		February 28, 2017	February 29, 2016
		\$	\$
<b>Operating activities</b>			
Net loss relating to continuing operations		(599,542)	(461,760)
Adjustments for:			
Share-based compensation		38,077	70,473
Severance pay paid in shares	8	65,819	-
Gain on disposal of exploration and evaluation assets		(71,391)	-
Finance costs		25,936	-
Impairment of exploration and evaluation assets		26,641	-
Deferred income tax recovery		(98,442)	(198,533)
Gain on disposal of property and equipment		(5,000)	-
Gain on disposal of marketable securities		(2,835)	-
Unrealized gain on the value of marketable securities from other comprehensive loss		(6,840)	-
Changes in non-cash working capital items			
Accounts receivable		(203,040)	-
Sales tax receivable		8,163	14,414
Tax credits receivable		(5,407)	(104,013)
Prepaid expenses and other		(1,303)	22,554
Trade and other payables		(51,656)	44,826
Advances received for Innord research grants		-	157,570
<b>Cash flows used in operating activities</b>		<b>(880,820)</b>	<b>(454,469)</b>
<b>Investing activities</b>			
Disposal of marketable securities		32,475	-
Additions of exploration and evaluation assets		(490,559)	(497,524)
Government grants		85,904	-
Tax credit received		-	315,468
Additions of property and equipment		(42,189)	(17,562)
Disposal of property and equipment		5,000	-
<b>Cash flows from (used) in investing activities</b>		<b>(409,369)</b>	<b>(199,618)</b>
<b>Financing activities</b>			
Proceeds from issuance of units and shares, net of issue costs		-	2,117,777
Contribution of non-controlling shareholders	12	250,000	-
Exercise of stock options		1,750	-
Payments on obligations under finance leases		-	(34,826)
<b>Cash flows from (used) in financing activities</b>		<b>251,750</b>	<b>2,082,951</b>
<b>Net change in cash and cash equivalents relating to continuing operations</b>		<b>(1,038,439)</b>	<b>1,428,864</b>
Cash flow used in discontinued operations	5	(123,402)	(296,493)
<b>Net change in cash and cash equivalents</b>		<b>(1,161,841)</b>	<b>1,132,371</b>
Cash and cash equivalents – beginning		1,372,840	454,671
<b>Cash and cash equivalents – ending</b>		<b>210,999</b>	<b>1,587,042</b>
<b>Additional information</b>			
Interest received		409	3,597
Interest paid		-	(4,326)
Addition of exploration and evaluation assets included in trade and other payables		118,766	28,862
Shares in debt settlement		-	26,250

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

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 28, 2017

(Unaudited)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Geomega Resources Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act and is engaged in the acquisition, exploration and evaluation of mining properties in Canada. The Corporation's shares are listed on the TSX Venture Exchange (the "Exchange") under symbol GMA. The address of the Corporation's registered office and principal place of business is 75, de Mortagne Boulevard, Boucherville, Quebec, Canada, J4B 6Y4. These unaudited condensed interim consolidated financial statements (the "Financial Statements") were approved by the Corporation's Board of Directors on April 28, 2017.

The Corporation 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 Corporation 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 months ended February 28, 2017, the Corporation reported a net loss of \$722,944 and has accumulated a deficit of \$14,946,308 up to that date. As at February 28, 2017, the Corporation had working capital of \$378,430, including assets held for sale of \$102,260.

Management estimates that the working capital will not be sufficient to meet the Corporation's obligations and commitments and budgeted expenditures through February 28, 2018. These circumstances lend a significant doubt as to the ability of the Corporation 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 Corporation'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. The 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 Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation 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

#### 2.1 Statement of Compliance

The 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, the Financial Statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 28, 2017

(Unaudited)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the annual financial statements for the year ended May 31, 2016, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in the Financial Statements are consistent with those of the previous financial year ended May 31, 2016, except for the policies described below.

#### **Consolidation**

The Financial Statements include the accounts of the Corporation and those of its subsidiary Innord Inc. ("Innord") owned at 96.16% on February 28, 2017 (100% on May 31, 2016).

#### **Non-controlling interests**

Non-controlling interests represent an equity interest in a subsidiary owned by an outside party. The share of net assets of the subsidiary attributable to the non-controlling interests is presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity. Changes in the Corporation's ownership interest in the subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. The fair values of the investments in common shares are based on the quoted market prices of those shares on a recognized stock exchange at the end of each reporting period. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the consolidated statement of income as part of interest income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the consolidated statement of income and are included in other gains or losses. Available-for-sale financial assets are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with IFRS requires the Corporation to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. The Corporation also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the Financial Statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended May 31, 2016, except for the new judgements and estimates described below.



# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 28, 2017

(Unaudited)

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

#### Critical judgments

##### *Discontinued operations and assets held for sale*

A non-current asset (or disposal group) is reclassified as held for sale and reclassified to current assets if the Corporation expects that its carrying value will be recovered principally through a sale transaction and not through its continued use provided that the asset (or disposal group) is available for immediate sale in its present condition and realization of its sale is highly probable. A high probability of sale is considered to exist when the Corporation is committed to a plan to sell the asset (or disposal group), has undertaken an active program to actively market the asset (or disposal group) and locate a buyer at a price reasonable in relation to fair value of the asset (or disposal group), and expects the sale process to be concluded within one year following the date of reclassification. The assets and liabilities of any subsidiary for which the Corporation is committed to sell and for which loss of control of the subsidiary is expected to occur are also reclassified as held for sale.

Any component of the Corporation which, while in use, represented one or more cash-generating units ("CGUs") of the Corporation, has been disposed of or classified as held for sale, and represents a major line of business or geographical area of operations or is part of a single plan to dispose of such a business or operation or is otherwise a subsidiary acquired exclusively for resale is classified as a discontinued operation. The assets, liabilities, comprehensive income, and cash flows relating to a discontinued operation of the Corporation are segregated and reported separately from the continuing operations of the Corporation in the period of reclassification.

##### *Liability related to share exchange rights*

The put option is classified as a financial liability using the present-access method. Under this method, non-controlling interests continue to be recognized because the non-controlling shareholders still have present access to the returns associated with the underlying ownership interests. Therefore, the offsetting entry to the financial liability is posted to deficit.

#### Critical estimates

##### *Liability related to share exchange rights*

Estimates and assumptions used to calculate the value of the liability related to share exchange rights include the interest rate used to discount the amount of redemption (8%) and the estimated period of time over which the different exchange rights could be exercised by the non-controlling shareholders.

### 4. CASH AND CASH EQUIVALENTS

	As at February 28, 2017	As at May 31, 2016
Cash	\$ 210,999	\$ 1,269,698
Investment redeemable at any time	-	103,142
<b>Cash and cash equivalents</b>	<b>210,999</b>	<b>1,372,840</b>

The balance on flow-through financing not spent according to the restrictions imposed by the December 31, 2015 financing represented \$295,318 as at May 31, 2016 and this balance was fully spent as at December 31, 2016.

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 28, 2017

(Unaudited)

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### 5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

On December 8, 2016 the Corporation signed a Gold Claims Sale Agreement (the "Sale Agreement") with a privately owned corporation, Groupe Ressources Géomines Inc. ("Géomines"). The Sale Agreement, closed on March 24, 2017, concerns all the non-rare earth elements ("non-REE") related assets held by the Corporation and are comprised of the Anik, Rivière à l'Aigle, McDonald, Gaspard, Comptois, Lac Storm, 3G and Maryse properties (the "Gold Asset Sale"). The Gold Asset Sale was done in conjunction with the closing of a transaction between Géomines and Black Springs Capital Corp. ("BSC") pursuant to which BSC acquired all of the outstanding shares of Géomines (the "Acquisition"). Géomines has an exploration portfolio, comprised of the WHN and Boisvert properties located in the Province of Québec (the "Géomines Properties"). The Acquisition constitute the "Qualifying Transaction" ("QT") of BSC, a capital pool company. On completion of the Acquisition, BSC and Géomines were amalgamated and continued the operations under the Kintavar Exploration Inc. ("Kintavar") name.

In connection with the closing of the Acquisition, BSC obtained the shareholder approval for the continuance of BSC from the Business Corporations Act (British Columbia) to the Business Corporations Act (Québec) and for the completion of a capital restructuring (the "Capital Restructuring"), including the consolidation of its share capital on a basis of two pre-consolidated shares (each a "BSC PreShare") for one share of Kintavar.

Under the terms of the Sale Agreement, an all share transaction, the Corporation received 17,857,143 Kintavar shares for a value of \$2,500,000 and the Géomines shareholders received 10,714,286 Kintavar shares for a value of \$1,500,000, at a deemed price of \$0.14 per share.

A finder's fee of 190,476 Kintavar shares was paid to each of Ansacha Capital Inc., Hexagon Ventures Inc. and Laurentian Bank Securities for being instrumental in introducing the parties.

In December 2016, BSC completed a bridge private placement financing of \$110,250 (the "Bridge Financing"), of BSC PreShares at the subscription price of \$0.0525 per share. In accordance with the capital restructuring and bridge financing, 4,125,000 Kintavar shares were issued to BSC shareholders at a 1: 2 exchange ratio.

In addition, Géomines and BSC completed a total gross proceeds financing of \$2,019,003, of which \$937,293 was completed at the same time as the closing. As a result of the financing, 5,635,510 flow-through shares of Kintavar were issued at a price of \$ 0.18 per share and 7,175,793 units of Kintavar at \$0.14 per unit. Each unit consisting of one share and one-half share purchase warrant, each full warrant entitling the holder to acquire one share of Kintavar at a price of \$0.18 per share until March 24, 2019.

Effective on January 1, 2017, Géomines signed an agreement to hire the Corporation as subcontract to execute the exploration work on the non-REE properties after January 1, 2017.

On March 24, 2017, the Corporation holds 38.75% of 46,079,160 shares issued and outstanding of Kintavar. The management of Kintavar is composed of Kiril Mugerma, President, Chief Executive Officer and Director, Alain Cayer, Vice-President Exploration and Ingrid Martin, Chief Financial Officer. It should be noted that these three persons hold similar positions in the Corporation.

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 28, 2017

(Unaudited)

### 5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (CONT'D)

#### Assets held for sale

The carrying values of the major classes of assets included as part of non-REE on the consolidated balance sheet were reclassified as assets of a disposal group classified as held for sale as at February 28, 2017. The balances reported consist of the following:

	As at February 28, 2017
	\$
Exploration and evaluation assets	102,260
<b>Non-current assets held for sale</b>	<b>102,260</b>

Considering the QT closed on March 24, 2017, a gain will be calculated and recognized at the closing date.

#### Loss relating to discontinued operations

Loss and comprehensive loss related to non-REE have been segregated from continuing operations. Loss from discontinued operations consists of the following:

	Three months ended		Nine months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
	\$	\$	\$	\$
Exploration and evaluation expenses, net of tax credits	18,156	(73,895)	123,402	296,493
Loss (income) relating to discontinued operations	<b>18,156</b>	<b>(73,895)</b>	<b>123,402</b>	<b>296,493</b>

#### Cash flows from discontinued operations

Cash flows related to non REE have been segregated from continuing operations. Net cash flows used in discontinued operations consist of the following:

	Nine months ended	
	February 28, 2017	February 29, 2016
	\$	\$
Cash flows used in operating activities	123,402	296,493
<b>Cash flow used in discontinued operations</b>	<b>123,402</b>	<b>296,493</b>

### 6. EXPLORATION AND EVALUATION ASSETS

	As at February 28, 2017	As at May 31, 2016
	\$	\$
Mineral properties acquisition costs	6,088,682	6,198,012
Exploration and evaluation expenditures capitalized	11,729,333	11,318,776
<b>Total exploration and evaluation assets</b>	<b>17,818,015</b>	<b>17,516,788</b>

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 28, 2017

(Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Mineral properties acquisition costs	As at	Additions	Disposal	Impairment <sup>1)</sup>	As at
	May 31, 2015				May 31, 2016
	\$	\$	\$	\$	\$
Montviel	6,928,012	5,926	-	(832,013)	6,101,927
Anik	48,410	119	-	-	48,529
McDonald	21,962	10,522	-	(2,957)	29,527
Rivière à l'aigle	6,036	3,480	-	-	9,516
Lac Storm	939	-	-	-	939
3G	790	-	-	-	790
Maryse	-	1,517	-	-	1,517
Gaspard	-	1,658	-	-	1,658
Buckingham	2,172	1,437	-	-	3,609
	<b>7,008,321</b>	<b>24,661</b>	<b>-</b>	<b>(834,970)</b>	<b>6,198,012</b>

1) Some claims were dropped and the Corporation impaired partially the property.

Mineral Properties acquisition costs	As at	Additions	Disposal	Impairment <sup>1)</sup>	Transfer –	As at
	May 31, 2016				held for sale (note 5)	February 28, 2017
	\$	\$	\$	\$	\$	\$
Montviel	6,101,927	4,408	-	(17,653)	-	6,088,682
Anik	48,529	10,655	-	(8,988)	(50,196)	-
McDonald	29,527	5,757	-	-	(35,284)	-
Rivière à l'aigle	9,516	1,346	-	-	(10,862)	-
Lac Storm	939	-	-	-	(939)	-
3G	790	-	-	-	(790)	-
Maryse	1,517	-	-	-	(1,517)	-
Gaspard	1,658	-	-	-	(1,658)	-
Comptois	-	1,014	-	-	(1,014)	-
Buckingham (note 6.1)	3,609	-	(3,609)	-	-	-
	<b>6,198,012</b>	<b>23,180</b>	<b>(3,609)</b>	<b>(26,641)</b>	<b>(102,260)</b>	<b>6,088,682</b>

1) Some claims were dropped and the Corporation impaired partially the property.

Exploration and evaluation expenditures capitalized	As at	Additions	Tax credits	Government grants	As at
	May 31, 2015				May 31, 2016
	\$	\$	\$	\$	\$
Montviel	10,886,787	643,043	(12,558)	(198,496)	11,318,776
	<b>10,886,787</b>	<b>643,043</b>	<b>(12,558)</b>	<b>(198,496)</b>	<b>11,318,776</b>

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited)

### 6. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Exploration and evaluation expenditures capitalized	As at May 31, 2016	Additions	Tax credits	Government grants	As at Feb 28, 2017
	\$	\$	\$	\$	\$
<b>Montviel</b>	11,318,776	509,271	(5,532)	(93,182)	11,729,333
	<b>11,318,776</b>	<b>509,271</b>	<b>(5,532)</b>	<b>(93,182)</b>	<b>11,729,333</b>

#### 6.1 Buckingham property (Graphite)

On April 6, 2016, the Corporation 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 Corporation received 1,500,000 common shares of Saint Jean valued at \$75,000 as per the Exchange price on the day the Corporation received the shares. The Corporation retains a 0.75% net output returns royalty on the property that was measured at a symbolic value.

### 7. LIABILITY RELATED TO THE PREMIUM ON FLOW THROUGH SHARES

	As at February 28, 2017	As at May 31, 2016
	\$	\$
Balance, beginning of period	98,442	-
Addition, net of issue costs	-	272,545
Reduction related to qualifying exploration expenditures	(98,442)	(174,103)
<b>Liability related to the premium on flow through shares</b>	<b>-</b>	<b>98,442</b>

### 8. SHARE CAPITAL

On December 7, 2016, the Corporation issued 774,337 shares at a price of \$0.085 for a total value of \$65,819 \$ and paid an amount of \$15,000 as part of a settlement with a former senior officer.

### 9. WARRANTS

Changes in the Corporation's warrants are as follow:

	Nine months ended February 28, 2017			Year ended May 31, 2016		
	Number of warrants	Carrying Value	Weighted average exercise price	Number of warrants	Carrying Value	Weighted average exercise price
		\$	\$		\$	\$
Opening	12,104,131	559,010	0.16	6,957,304	700,225	0.40
Issued	-	-	-	7,013,493	260,005	0.12
Issuance Costs	-	-	-	-	(8,195)	-
Expired	-	-	-	(1,866,666)	(393,025)	0.90
Extented	-	132,569	-	-	-	-
	<b>12,104,131</b>	<b>691,579</b>	<b>0.16</b>	<b>12,104,131</b>	<b>559,010</b>	<b>0.16</b>

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 28, 2017

(Unaudited)

### 9. WARRANTS (CONT'D)

Warrants outstanding as at February 28, 2017 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
1,302,778	0.23	June 19, 2017
5,710,715	0.09	February 22, 2018
1,662,500	0.21	November 4, 2018 (extended)
2,264,138	0.25	November 4, 10 and 2018 (extended)
164,000	0.21	December 3, 2018 (extended)
1,000,000	0.15	July 1, 2019
<b>12,104,131</b>		

The 4 090 638 warrants due to expire between November 4, 2016 and December 6, 2016 were extended 2 years. Total costs of the warrant extension amounts to \$132,569, recorded under warrants and the offsetting entry was recorded in the deficit. The fair value of the warrants extension was estimated using the Black-Scholes model calculated for the deference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follow for the two periods respectively: no expected dividend yield, 90.2% and 74.2% weighted average expected volatility, 0.50% and 0.53% risk-free interest rate and 2.03 and 0.03 years warrant weighted average expected life.

### 10. BROKER OPTIONS

Changes in the Corporation's broker options are as follow:

	Nine months ended February 28, 2017			Year ended May 31, 2016		
	Number of broker options	Carrying Value	Weighted average exercise price	Number of broker options	Carrying Value	Weighted average exercise price
		\$	\$		\$	\$
Opening	389,875	23,595	0.16	424,167	119,910	0.47
Issued	-	-	-	229,875	9,195	0.09
Expired	(160,000)	(14,400)	0.25	(264,167)	(105,510)	0.60
	<b>229,875</b>	<b>9,195</b>	<b>0.09</b>	<b>389,875</b>	<b>23,595</b>	<b>0.16</b>

Broker warrants outstanding as at February 28, 2017 are as follows:

Number of broker options	Exercise price	Expiry date
	\$	
229,875	0.09	June 30, 2017
<b>229,875</b>		

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 28, 2017

(Unaudited)

### 11. STOCK OPTIONS

Changes in the Corporation's stock options are as follow:

	Nine months ended February 28, 2017		Year ended May 31, 2016	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
		\$		\$
Balance, beginning	3,145,000	0.40	3,320,000	0.60
Granted	1,920,000	0.095	1,090,000	0.07
Expired	(475,000)	1.68	(1,122,500)	0.68
Exercises	(25,000)	0.07	-	-
Forfeited	(40,000)	0.105	(142,500)	0.26
<b>Balance, end</b>	<b>4,525,000</b>	<b>0.14</b>	<b>3,145,000</b>	<b>0.40</b>
Balance, end exercisable	2,157,500	0.20	2,181,250	0.54

The number of options outstanding as of February 28, 2017 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
100,000	100,000	0.45	July 19, 2017
200,000	200,000	0.42	October 30, 2017
225,000	225,000	0.15	June 28, 2018
225,000	225,000	0.16	July 22, 2018
225,000	225,000	0.17	September 19, 2018
120,000	120,000	0.30	January 23, 2019
385,000	385,000	0.26	September 17, 2019
80,000	80,000	0.14	January 23, 2020
300,000	225,000	0.09	September 13, 2020
745,000	372,500	0.07	November 22, 2020
1,920,000	-	0.095	November 29, 2021
<b>4,525,000</b>	<b>2,157,500</b>		

On November 29, 2016, the shareholders of the Corporation renewed the stock option plan which provides that the maximum number of common shares in the capital of the Corporation that may be reserved for issuance under the plan is limited to a maximum of 10% of the common shares outstanding.

On November 29, 2016, the Corporation granted to its directors, officers, employees and consultants 1,920,000 options exercisable at \$0.095, valid for 5 years. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$132,480 for an estimated fair value of \$0.069 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 112% expected volatility, 0.55% risk-free interest rate and 3.75 years options expected life. This expected life was estimated by benchmarking comparable situations for companies that are similar to the Corporation. The expected volatility was determined by calculating the historical volatility of the Corporation's share price back from the date of grant and for a period corresponding to the expected life of the options.

# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Nine months ended February 28, 2017

(Unaudited)

### 12. NON CONTROLLING INTEREST

On June 3, 2016, the Corporation concluded a subscription agreement with two institutional investors, Société de développement de la Baie-James ("SDBJ") and the Administration régionale Baie-James ("ARBJ") to finance the development of the process prototype to separate mixed rare earth elements concentrate into pure individual rare earth oxides. Each institutional investor invested \$125,000 for 2 shares in Innord, for a total of \$250,000. As a result, the Corporation now owns 96.16% of Innord.

The institutional investors were granted different options to exchange their shares according to different outcomes relating to the phase 1A of the rare earth separation process, at the latest January 1, 2018. The options are as follow:

- If the phase 1A conclusion is positive, the investors can request the Corporation to buy back 50% of the shares for a total of \$250,000 cash;
- If the phase 1A conclusion is negative or the separation process is sold or a change of control of the Corporation occurs, the investors can request the Corporation to buy back 100% of the shares by issuing its own shares for a value of \$500,000; and
- If there is no economic benefits (no processing plant built on the James Bay territory or no announcement of Montviel mine at the latest June 3, 2021), the investors can request the Corporation to buy back 100% of the shares for a total of \$500,000 cash, or to buy back 100% of the shares by issuing its own shares for a value of \$500,000.

The positive conclusion of phase 1A is defined as follows: to reach a capacity of one kilogram per day for the rare earth separation process.

Not controlling the outcome of phase 1A, the Corporation 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 Corporation.

	Nine months ended February 28, 2017
	\$
Balance beginning	-
Exchange options granted to SDBJ and ARBJ	500,000
Initial discounting using a rate of 8 %	(57,276)
	442,724
Accretion for the period	25,936
<b>Liability related to exchange rights</b>	<b>468,660</b>

The difference between the total investment in Innord of \$250,000 and the non-controlling interest of 3.84% established at \$7,986 was recorded as a gain on dilution reducing directly the deficit in the equity attributable to the Corporation.



# Geomega Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited)

### 13. EXPLORATION AND EVALUATION EXPENSES

	Three months ended		Neuf months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
	\$	\$	\$	\$
Salaries, geology and prospection	87,458	25,079	174,329	234,284
Lodging and travel expenses	34,417	3,566	44,496	66,356
Analysis	4,996	188	16,152	49,690
Drilling	2,062	-	2,062	9,900
Geophysics	55,297	-	76,596	23,438
Supplies and equipment	10,000	330	14,358	13,708
Taxes, permits and insurance	4,065	1,520	5,053	3,695
Cost of mining properties	-	(562)	-	(562)
Billing according to agreement	(158,719)	-	(158,719)	-
Exploration and evaluation expenses before tax credits	39,576	30,121	174,327	400,509
Tax credits	(5,407)	(104,016)	(5,407)	(104,016)
	34,169	(73,895)	168,920	296,493
Transfer to discontinued operations	(18,156)	73,895	(123,402)	(296,493)
<b>Exploration and evaluation expenses</b>	<b>16,013</b>	<b>-</b>	<b>45,518</b>	<b>-</b>

### 14. SUBSEQUENT EVENT

Following the Kintavar transaction described in note 5, the Corporation approved on April 10, 2017 the distribution, in the form of a return of capital, of 4,888,003 (subject to usual rounding adjustments) Kintavar shares to the Corporation's shareholders. Each shareholder of the Corporation, will receive 0.0625 Kintavar shares for each common share of the Corporation held. After this distribution, the Corporation will hold 12,969,140 of the Kintavar shares, representing 28.15% of 46,079,160 shares issued and outstanding of Kintavar.