



**GEOMEGA RESOURCES INC.**

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THREE MONTHS ENDED AUGUST 31, 2015**

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The following Interim Management's Discussion and Analysis ("MD&A") of the financial condition and the results of operations of Geomega Resources Inc. (the "**Company**" or "**GéoMégA**") should be read in conjunction with the Company's unaudited condensed interim financial statements and related notes for the three months ended August 31, 2015 and with the Company's audited financial statements and accompanying notes for the year ended May 31, 2015. The financial statements for the three months ended August 31, 2015 have not been audited or reviewed by the Company's auditor and have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The information presented in this MD&A is dated October 26, 2015. All amounts presented are in Canadian dollars.

The Company's common shares are traded on the TSX Venture Exchange under the symbol **GMA** and 62,203,116 common shares were outstanding as of October 26, 2015. Additional information is available through [www.sedar.com](http://www.sedar.com) or [www.ressourcesgeomega.ca](http://www.ressourcesgeomega.ca).

Our MD&A contains **forward-looking statements** not based on historical facts. Forward-looking statements express, as of the date of this report, our estimates, forecasts, projections, expectations and opinions as to future events or results. Forward-looking statements herein expressed are reasonable, but involve a number of risks and uncertainties, and there can be no guarantee that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to; economic conjuncture, fluctuations in the market price of precious metals, mining industry risks, uncertainty as to the calculation of mineral reserves and requirements of additional financing and the capacity of the Company to obtain financing.

**GOING CONCERN**

The Company is engaged in the acquisition, exploration and evaluation of mining properties in Quebec and does not generate any operating revenue. The Company's financial success may come from either 1) the advancement of the Montviel project (exploitation of rare earths elements and niobium), 2) development or use of its proprietary separation process (ore, recycling products and royalties) through its 100% owned subsidiary Innord Inc., and 3) the discovery of a significant gold deposit in its portfolio of gold properties. Any funding shortfalls 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 guarantee that it will be able to do so in the future.

**COMPANY PROFILE AND MISSION**

GéoMégA, which owns 100 % of the Montviel rare earth elements ("REE") project in Quebec, is an exploration and evaluation company whose goal is the discovery and sustainable development of economic mineral deposits metals such REE, niobium and gold in Quebec. GéoMégA is committed to meeting the standards of the Canadian mining industry and stand out by its innovative engineering, stakeholder engagement and dedication to local processing.

As society moves from fossil fuels to alternative sustainable energy sources, GéoMégA believes that the future of green energy lies in the REE called neodymium. Neodymium is of vital importance for the production of high performance permanent magnets used in a wide variety of electric motors.

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**OVERALL PERFORMANCE**

**Corporate Update**

- On June 17, 2015, the Company announced the results of the updated 43-101 resource calculation for its Montviel rare earth elements and niobium project:
  - Total Indicated Resources of 82.4 million tonnes grading 1.51% total rare earth oxides "TREO" and 0.17% niobium oxide;
  - Total Inferred Resources of 184.2 million tonnes grading 1.43% TREO and 0.13% niobium oxide.
- On July 13, 2015, the Company announced the resignation of Mr. Réjean Talbot as a Director of the Company.
- On July 23, 2015, the Company announced the departure of Mr. Simon Britt as President and CEO and the appointment of Mr. Derek Lindsay as President and CEO on an interim basis.
- On July 30, 2015, the Company announced it had filed its National Instrument 43-101 technical report titled "Montviel Rare Earth Project Québec, Canada".
- On August 13, 2015, the Company announced the receipt of financial support to develop its innovative process for separating REE. The Industrial Research Assistance Program of the National Research Council Canada ("NRC - IRAP") will provide up to \$200,000 over 2 years to Innord Inc. to develop a process to separate a mixed REE concentrate into pure individual rare earth oxides.
- On September 14, 2015, the Company announced the appointment of President and CEO Mr. Kiril Mugerma succeeding Mr. Derek Lindsay previously appointed on an interim basis. Mr. Mugerma was granted 300,000 stock options at an exercise price of \$0.085 per share for a period of 5 years under the terms of the Stock Option Plan of the Company.
- On September 28, 2015, the Company announced the first set of results from its 2015 surface exploration campaign at the Anik gold property, located 40 km south of the town of Chapais, Quebec.

**Private placement**

- On June 19, 2015, the Company completed the first tranche of a private placement totaling 1,311,112 units at a price of \$0.18 per unit and 2,608,000 flow-through shares at \$0.23 price for a total of \$835,840. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.23 per share for a period of 24 months, i.e. by June 19, 2017.
- On July 6, 2015, the Company completed the final tranche of a private placement totaling 1,294,444 units at a price of \$0.18 per unit for gross proceeds of \$233,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.23 per share for a period of 24 months or no later than July 3, 2017.

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**SUMMARY OF ACTIVITIES**

**1. Rare earth project - Montviel (100% interest)**

Montviel benefits from permanent road access, public infrastructure and skilled labour in the immediate project area. The project is located approximately 100 km north of Lebel-sur-Quévillon, near the Cree First Nation of Waswanipi. The property carries a 2% net output royalty to NioGold Mining Corporation (TSX: NOX.V). On May 27, 2015, the Company entered into an agreement with NioGold under which it obtained an option to buy-back the royalty.

Montviel is a 32 km<sup>2</sup> alkaline intrusive system hosting carbonatite intrusions with significant rare earth elements and niobium mineralizations. The central part of the alkaline intrusive system ("Core Zone") is composed of a ferro-carbonatite where the highest values in REE are found. As of today, the Company has completed 95 drill holes for almost 39,000 meters and has defined the mineralized ferro-carbonatite over a length of 900 meters (NE-SW), a width of 650 meters (NW-SE) and a depth of 750 meters.

**2. Updated NI 43-101 Compliant Resource Estimate**

The first NI 43-101 compliant resource estimate was published in September 2011 and was based on the first 20 drill holes of the Phase-1 drill campaign, conducted in winter 2011, totalling approximately 10,000 meters. It considered an operating scenario based on an open pit mine. The Phase 2 and Phase 3 drilling campaigns, completed in April 2012 and December 2013 respectively, enabled the Company to further define and expand the mineralized envelope of the Montviel carbonatite by adding 69 drill holes for a total of approximately 26,000 meters, mainly focused in the enriched niobium and rare earth sectors.

On June 17, 2015, the Company announced the results of its updated 43-101 resource calculation for its Montviel REE and niobium project. The updated resource estimate is based on an underground mine scenario. This resource calculation was conducted by Elzear Belzile, P.Eng, a qualified person as defined in NI 43-101, of Belzile Solutions Inc. located in Rouyn-Noranda, Quebec in collaboration with G Mining Services Inc. located in Brossard, Quebec. The following tables summarize the results of the June, 2015 resource estimate and its main parameters and characteristics.

**Total Mineral Resources**

NSR Value (CA\$/tonne)	Category	Million Tonnes	TREO Grade (%)	Pr <sub>2</sub> O <sub>3</sub>		Nd <sub>2</sub> O <sub>3</sub>		Eu <sub>2</sub> O <sub>3</sub>		Nb <sub>2</sub> O <sub>5</sub>	
				Grade (ppm)	Contained (M kg)						
335	Indicated	82.4	1.51	766	63.2	2,452	202.0	52	4.3	1,715	141.3
312	Inferred	184.2	1.43	746	137.4	2,433	448.3	47	8.7	1,315	242.3

**Dysprosium Zone (included in Total mineral resources above)**

NSR Value (CA\$/tonne)	Category	Million Tonnes	TREO Grade (%)	Pr <sub>2</sub> O <sub>3</sub>		Nd <sub>2</sub> O <sub>3</sub>		Tb <sub>2</sub> O <sub>3</sub>		Dy <sub>2</sub> O <sub>3</sub>	
				Grade (ppm)	Contained (M kg)						
234	Indicated	0.37	0.84	421	0.2	1,628	0.6	26	0.01	109	0.04
241	Inferred	2.58	0.94	459	1.2	1,693	4.4	23	0.06	94	0.24

- Mineral resources are estimated and reported in compliance with NI 43-101.
- Mineral resources are estimated at an NSR cut-off value of CA\$180 per tonne.
- Discounted metal price assumptions for REO of: US\$4.70/kg for La<sub>2</sub>O<sub>3</sub>, US\$2.90/kg for Ce<sub>2</sub>O<sub>3</sub>, US\$64.50/kg for Pr<sub>2</sub>O<sub>3</sub>, US\$57.30/kg for Nd<sub>2</sub>O<sub>3</sub>, US\$5.80/kg for Sm<sub>2</sub>O<sub>3</sub>, US\$501.20/kg for Eu<sub>2</sub>O<sub>3</sub>, US\$10.80/kg for Gd<sub>2</sub>O<sub>3</sub>, US\$572.80/kg for Tb<sub>2</sub>O<sub>3</sub>, US\$304.30/kg for Dy<sub>2</sub>O<sub>3</sub> and US\$7.20/kg for Y<sub>2</sub>O<sub>3</sub>.
- Metal recovery assumptions: 90.8% for La<sub>2</sub>O<sub>3</sub>, 87.9% for Ce<sub>2</sub>O<sub>3</sub>, 90.3% for Pr<sub>2</sub>O<sub>3</sub>, 90.7% for Nd<sub>2</sub>O<sub>3</sub>, 86.4% for Sm<sub>2</sub>O<sub>3</sub>, 85.6% for Eu<sub>2</sub>O<sub>3</sub>, 79.3% for Gd<sub>2</sub>O<sub>3</sub>, 75% for Tb<sub>2</sub>O<sub>3</sub>, 61.7% for Dy<sub>2</sub>O<sub>3</sub> and 49.1% for Y<sub>2</sub>O<sub>3</sub>.

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- Metal price and recovery assumptions of US\$45/kg and 65.5% respectively for Nb<sub>2</sub>O<sub>5</sub>.
- Mineral resources are not mineral reserves and do not have demonstrated economic viability.

**Total Mineral Resources Sensitivity to NSR cut-off Value**

**Total Indicated Resources**

NSR cut-off Value (CA\$/tonne)	NSR Value (CA\$/tonne)	Million Tonnes	TREO Grade (%)	Pr <sub>2</sub> O <sub>3</sub>		Nd <sub>2</sub> O <sub>3</sub>		Eu <sub>2</sub> O <sub>3</sub>		Nb <sub>2</sub> O <sub>5</sub>	
				Grade (ppm)	Contained (M kg)						
150	334	82.5	1.51	766	63.2	2,450	202.2	52	4.3	1,714	141.4
180	335	82.4	1.51	766	63.2	2,452	202.0	52	4.3	1,715	141.3
200	335	82.1	1.51	768	63.0	2,455	201.7	52	4.3	1,719	141.2
225	337	81.0	1.52	771	62.5	2,467	199.9	52	4.2	1,731	140.3
250	341	77.7	1.53	779	60.6	2,493	193.8	53	4.1	1,767	137.4

**Total Inferred Resources**

NSR cut-off Value (CA\$/tonne)	NSR Value (CA\$/tonne)	Million Tonnes	TREO Grade (%)	Pr <sub>2</sub> O <sub>3</sub>		Nd <sub>2</sub> O <sub>3</sub>		Eu <sub>2</sub> O <sub>3</sub>		Nb <sub>2</sub> O <sub>5</sub>	
				Grade (ppm)	Contained (M kg)						
150	310	187.2	1.42	740	138.5	2,414	451.8	47	8.8	1,305	244.3
180	312	184.2	1.43	746	137.4	2,433	448.3	47	8.7	1,315	242.3
200	314	181.3	1.44	751	136.1	2,449	444.1	47	8.6	1,326	240.4
225	320	170.8	1.47	765	130.7	2,497	426.6	48	8.2	1,359	232.2
250	331	151.8	1.51	789	119.8	2,578	391.4	49	7.5	1,414	214.7

**Total Mineral Resources Breakdown**

Rare Earth Element	Oxide	Indicated Resources		Inferred Resources	
		82.4 million tonnes		184.2 million tonnes	
		Oxide Grade (%)	Contained Oxide (M kg)	Oxide Grade (%)	Contained Oxide (M kg)
Lanthanum	La <sub>2</sub> O <sub>3</sub>	0.40	329.48	0.36	666.03
Cerium	Ce <sub>2</sub> O <sub>3</sub>	0.73	604.90	0.70	1,290.69
Praseodymium	Pr <sub>2</sub> O <sub>3</sub>	0.08	63.16	0.075	137.36
Neodymium	Nd <sub>2</sub> O <sub>3</sub>	0.25	202.04	0.24	448.25
Samarium	Sm <sub>2</sub> O <sub>3</sub>	0.026	21.07	0.025	45.43
Europium	Eu <sub>2</sub> O <sub>3</sub>	0.005	4.29	0.005	8.67
Gadolinium	Gd <sub>2</sub> O <sub>3</sub>	0.009	7.70	0.008	15.23
Terbium	Tb <sub>2</sub> O <sub>3</sub>	0.001	0.63	0.001	1.28
Dysprosium	Dy <sub>2</sub> O <sub>3</sub>	0.003	2.18	0.002	4.40
Holmium	Ho <sub>2</sub> O <sub>3</sub>	0.0003	0.28	0.0003	0.56
Erbium	Er <sub>2</sub> O <sub>3</sub>	0.001	0.51	0.001	1.02
Thulium	Tm <sub>2</sub> O <sub>3</sub>	0.00006	0.05	0.00005	0.08
Ytterbium	Yb <sub>2</sub> O <sub>3</sub>	0.0003	0.29	0.0003	0.55
Lutetium	Lu <sub>2</sub> O <sub>3</sub>	0.00002	0.02	0.00002	0.03
Yttrium	Y <sub>2</sub> O <sub>3</sub>	0.008	7.00	0.008	13.84
<b>Total</b>	<b>TREO</b>	<b>1.51</b>	<b>1,243.59</b>	<b>1.43</b>	<b>2,633.43</b>

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**Details of the Parameters of the Resource Estimate**

- The mineral resource model prepared by Belzile Solutions Inc. considers 89 core boreholes (NQ size) drilled by GéoMégA from 2010 to 2013. The drilling comprises approximately 21,746 assayed intervals with an average length of 1.45 meters.
- Generally, drilling density is varying from 50m x 50m to 100m x 100m depending on the location within the deposit and the depth.
- Indicated resources correspond approximately to a 50m x 50m drilling pattern.
- Inferred resources correspond approximately to a 100m x 100m drilling pattern.
- The mineral resource estimate has been completed using three-dimensional wireframe modelling. Geological interpretation identified 6 different domains in the area covered by drilling.
- No high grade capping was applied since maximum value was 7 times higher than average TREO grade (coefficient of variation around 0.50).
- Mineral resources results are presented undiluted and in site.
- The extents of the mineralization higher than 1.0% TREO encountered in drilling to date can be traced for a maximum of 700m in the NE-SW direction, 400m in the NW-SE direction and a maximum depth of 760m.
- The bulk density is based on 308 specific gravity measurements taken from wrapped core samples. The average value for the samples was 2.92 t/m<sup>3</sup>.
- The estimates were done using Ordinary Kriging (OK) as the geostatistical interpolation method based on 5.0 meter analytical composites. Resources were also estimated using Inverse Distance Squared (ID2) interpolation for testing and comparative purposes, which produced similar results, i.e. less than 1% difference in TREO and Nb<sub>2</sub>O<sub>5</sub> grades.
- All estimates were based on a block dimension of 10 meters long, 5 meters wide and 10 meters height with estimation parameters determined by variography.
- Estimation was done using Geovia Gems software (V 6.7).
- A 50m crown pillar located below the overburden-rock interface has been removed from the resources compilation.
- The Company signed a buy-back option agreement on May 27, 2015 for the 2% royalty currently applicable to Montviel. This resource estimate does not include the 2% royalty.
- Mineral resources are evaluated in Canadian currency using an exchange rate of 1.15 CA\$/US\$.
- Mineral resources are estimated at a NSR -cut-off value of CA\$180 per tonne corresponding to the total mining costs, processing costs, general and administrative costs, marketing costs and contingency based on the assumption of a 2,500 tonnes per day underground mining operation.
- Metal recovery assumptions are based on tests results disclosed on May 20, 2015 and were adjusted to account for a final purification step following hydrometallurgy.
- Total Rare Earth Oxides ("TREO") include: La<sub>2</sub>O<sub>3</sub>, Ce<sub>2</sub>O<sub>3</sub>, Pr<sub>2</sub>O<sub>3</sub>, Nd<sub>2</sub>O<sub>3</sub>, Sm<sub>2</sub>O<sub>3</sub>, Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>2</sub>O<sub>3</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub>, Lu<sub>2</sub>O<sub>3</sub>, Y<sub>2</sub>O<sub>3</sub>.

On July 30, 2015, the Company filed its National Instrument 43-101 technical report titled "Montviel Rare Earth Project Québec, Canada" dated June 15, 2015 on SEDAR at [www.sedar.com](http://www.sedar.com).

Overall, the current resource estimate presents a higher degree of confidence relative to the maiden resource estimate presented in 2011 (see press release September 29, 2011) as a result of more conservative prices used, large amount of additional drilling and more detailed metallurgical work that was completed over the past three and a half years.

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**3. 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 current low voltage line. It has taken more than three and a half years of metallurgical work and optimization to meet these three parameters.

During the last year, 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 closed circuit. In addition, 2 physical adjustments at the beneficiation step significantly decrease the ore mass moving to hydrometallurgy.

To complete the PEA, the main remaining work is the evaluation of the cost of the plant and infrastructure based on the May 2015 flow sheet. This step is conditional on financing with the completion date to be determined then.

The PEA will include the following assumptions:

- Mine design to use an underground approach via ramp access with paste backfill minimizing the environmental impact;
- Initial annual production in the range of 2,000 tonnes of neodymium oxide;
- Project energy to be provided by the Hydro-Québec distribution grid;
- Mixed REE concentrate base case.

**4. Environmental geochemistry**

The Company has established a collaboration with the *CREATE Mine of Knowledge* ("NSERC") program and the University of Montreal. This collaboration will advance several aspects of the project including the establishment of environmental criteria for waste from the Montviel REE project. This collaboration involves, among other things, a review of literature on the criteria for toxicity and acute and chronic toxicity tests.

The Company continued geological and geochemical characterization of the Montviel alkaline intrusion. A total of 15 additional samples representing six lithologies have been subject to static tests to characterize the geochemical behaviour of waste rock from the property. These tests include four lithological units that have been the subject of geochemical characterization for the first time. Although all lithologies are considered leachable for certain metals and / or metalloids, no major problem has been identified. No lithology is considered hazardous according to Directive 019 from the *Ministry of Sustainable Development, Environment and Parks of Quebec*.

The Company ended the wet cells study of Montviel ore and waste on April 2, 2015 after 121 weeks of kinetic tests. The report outlining the environmental geochemical behaviour in the kinetic tests is being drafted and will be provided by the URSTM. Meanwhile, the Company has installed, on the future site of operation, 7 barrels containing more than 250kg of each of the lithologies encountered on Montviel. These lithologies include ore and waste rock proximal and distal to the deposit found in the center of the ramp. The leachate will be analyzed periodically, and this data will help identify or refute certain environmental issues. These kinetic tests will confirm the scaling up of wet cell tests as they are performed on a larger scale (250kg versus 1kg) and actual physical and meteorological conditions which the potential tailings will be exposed to.

The Company is analyzing the residue from the metallurgical process after the flotation step. These residues have undergone a series of static tests required according to the directive 019. The results are being processed.

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**5. Physical Separation of rare earths (patent pending)**

The mission of Innord, a wholly owned subsidiary of the Company, is to optimize the value of the REE separation process by facilitating its development through direct investment by key financial partners.

All current and future research and development initiatives related to the separation process will now be made by Innord beginning with scaling its proprietary process of physical separation.

Based on electrophoresis, the physical separation process 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 August 22, 2014 , the Company received the international search report ("ISR") and a written opinion ("WO") from the Canadian Intellectual Property Office in relation to twenty-five claims contained in the international Patent Cooperation Treaty ("PCT") application with the title "A system and method for separation and purification of dissolved rare earth / precious metals elements / compounds" (the "separation process").

The ISR and WO concluded positively on the novelty, inventive step and industrial application of the process of separation and twenty-three claims are considered patentable. The Company is moving forward with national applications in multiple key jurisdictions.

On August 13, 2015, the Company announced it had received financial support to develop its innovative process for separating REE. The Industrial Research Assistance Program of the National Research Council Canada ("NRC - IRAP") will provide up to \$200,000 over 2 years to Innord to develop a process to separate a mixed REE concentrate into pure individual rare earth oxides. The separation process is the last step in the production of pure individual rare earth oxides. This process follows the already developed metallurgical process that extracts the REE and niobium from ore and produces a mixed REE concentrate (see press release dated August 13, 2015).

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**OUTLOOK**

The Company holds multiple mining properties. The main objective is to advance the Montviel project, Innord, and the gold portfolio. The Company examines different scenarios for the development of its assets including entering into joint ventures.

**6. Gold properties portfolio**

With the understanding of the Montviel geology being very well advanced, as of March 2014, the exploration team began focusing on the Company's portfolio of gold projects in Quebec. All projects include gold anomalies discovered by the exploration team in previous exploration campaigns.

**7. Anik property (Gold – 100% interest)**

The Anik project ("Anik"), is located 40 km south of the town of Chapais, Quebec. Anik has a permanent access, public infrastructure and skilled labour in the immediate project area. The Anik property consists of 161 claims.

The second geological exploration campaign began in June 2015. Its main objective is to improve the geological understanding of the areas surrounding the Bobby showing and the new area with quartz veins and visible gold that was identified by the ANK-15-16 drill hole. To accomplish this, 4 new trenches in the Bobby area and 2 trenches in the ANK-15-16 drill hole area were mechanically excavated. Nearly 240 samples were sent for laboratory analysis to obtain the gold assays. A summary of the significant gold grades from the first part of this exploration campaign area are presented in a table below.

At the Bobby showing, the samples with gold grades came from within a several meter wide deformation corridor (shear zone) showing a higher density of quartz veins mineralized in pyrite with trace of arsenopyrite and chalcopyrite. The corridor has been explored with a trench covering 30 meters in the NE/SW direction and a width of almost 10 meters. The simplified map of the trench of the Bobby showing is presented below.

The TR-27 trench was completed in the area of drill hole ANK-15-16, 150 meters southwest of the boulder of the Orbi showing. The trench has identified a new zone, the Kovi showing, which was not identified in previous exploration or drilling activities. The zone is hosted within a strongly deformed sedimentary unit (schist) exhibiting ankerite, silica and fuchsite alterations with quartz veins ranging from thin to over 10 cm in thickness. Mineralization, both in the host rock schist and in the veins, is present in the form of a trace and up to 10% of pyrite and pyrrhotite and a trace of arsenopyrite. The most significant results from the new Kovi showing include 31.8 g/t Au and 7.23 g/t Au. The simplified map of the trench is presented below.

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A brief exploration program was completed in September to follow up on the results of the summer campaign. The work mainly consisted of continuous channel sampling perpendicular to the mineralized zones. Nearly 70 samples were sent to the laboratory and results are pending.

Trench	Sample	Au g/t	Length (cm)	Lithologies	Nad83z18 East	Nad83z18 North
TR-16 (Bobby showing)	P127551	1.84	20cm	Quartz vein / Gabbro Si Sr Cc 8Py	534503	5477085
	P127552	<b>6.10</b>	15cm	Quartz vein / Gabbro Si Sr Ak Cc 20Py	534509	5477078
	R640169	2.00	Grab	Gabbro Ak Si Cl 3Py trPo	534517	5477092
	R640183	1.65	30cm	Gabbro Cl Ak trPy	534522	5477103
	R640188	<b>9.39</b>	20cm	Gabbro Ak Si 8Py trCp / Quartz vein	534527	5477095
	R640190	<b>7.14</b>	40cm	Gabbro Ak Si Sr 4Py trCp / Quartz vein	534525	5477093
	R640191	3.22	25cm	Gabbro Ak Si Sr 10Py trCp / Quartz vein	534524	5477089
	R640193	2.84	50cm	Gabbro Ak Si Sr 4Py	534518	5477082
	R640352	<b>20.20</b>	Grab	Quartz vein / Gabbro Sr Cl 10Py 5As	534528	5477094
	R640358	1.85	Grab	Gabbro Sr Ak trPy As / Quartz vein	534514	5477080
	R640362	<b>7.34</b>	40cm	Quartz vein / Gabbro Sr Ak 5Py trAs	534520	5477082
	R640373	2.82	20cm	Quartz vein / Gabbro Sr Cl Ak trPy	534517	5477082
TR-27 (Kovi showing)	R640314	1.98	Grab	Schist Sr Ak / Quartz vein Ak Py trAs	534912	5477336
	R640317	<b>7.23</b>	35cm	Quartz vein Fc Sr Ak 7As 1Py	534913	5477340
	R640322	1.05	20cm	Arenite Si Ak Sr Py trAs Cp	534908	5477353
	R640323	2.28	15cm	Quartz vein 5Py 2As	534906	5477350
	R640324	<b>31.80</b>	Grab	Vein Py / Arenite Py	534906	5477350
	R640331	1.23	40cm	Quartz vein Py Po trAs Cp / Schist Sr Ak trPy	534910	5477336
	R640381	1.28	15cm	Quartz vein / Arenite	534910	5477395
Boulder (12m <sup>3</sup> )	R640211	1.21	Grab	Wacke Ak Cc trPy / Quartz vein Ak trPy	534984	5477426

## 8. Discovery and geological context

The exploration on the Anik property began in spring 2014 by conducting a high definition magnetic helicopter-borne survey followed by a first cartographic and geological reconnaissance campaign. The results of this first campaign led to the discovery of the ORBI showing, a very angular erratic boulder of 4 m<sup>3</sup> which graded 10.30 g/t, 8.03 g/t and 7.86 g/t Au. Following this discovery, the Company discovered 2 new showings (Mirador and Bobby), defining a gold bearing lineament of over 600 meters.

The Mirador showing, located 220 meters northeast of the ORBI showing, returned anomalous values between 0.10 g/t and 0.74 g/t Au from a several meter thick shear zone including three assays of 1.38 g/t, 3.16 g/t and 11.35 g/t Au from quartz-tourmaline veins several centimetres in thickness. The Bobby showing, located 350 meters southwest of the ORBI showing, graded 0.51 g/t Au over 1.0 m and 1.13 g/t Au over 1.0 m (channel samples) within a sedimentary unit crosscut by a network of pyrite mineralized veinlets.



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In November 2014, an initial drilling campaign began in order to investigate the extensions of the mineralized showings and also to test several regional targets. Phase 1 was finished on January 31, 2015 with a total of 22 drill holes completed for 4,731 meters. Of these, 13 drill holes were located in the area of the three gold showings (Bobby, ORBI and Mirador) and 9 drill holes were testing regional targets showing geological, geochemical and / or geophysical anomalies. Over 3,475 samples were sent to the laboratory to determine their gold content.

Of the 13 drill holes located in the area of the gold showing, 11 intersected grades above 1 g/t Au over 1 meter. The 9 regional exploration drill holes did not identify any anomalies greater than 0.5 g/t Au. The following table presents the significant intersections from drill holes completed during Phase 1.

**Phase 1: Significant intersections**

Drill holes	Target	Azimuth/Dip	From (m)	To (m)	Length <sup>1</sup> (m)	Au (g/t)
ANK-02 <sup>1</sup>	ORBI / Trench 35-S	N345°/-45°	110.0	115.0	5.0	0.72
			incl. 114.0	115.0	1.0	2.06
			131.5	132.5	1.0	2.83
ANK-03 <sup>1</sup>	Mirador	N345°/-45°	64.0	65.0	1.0	1.14
ANK-04 <sup>1</sup>	ORBI	N345°/-45°	38.0	41.0	3.0	1.24
ANK-05 <sup>1</sup>	Trench 35-S	N345°/-45°	135.0	136.0	1.0	4.30
			207.0	208.2	1.2	2.73
ANK-06 <sup>2</sup>	Bobby	N165°/-45°	9.0	65.5	56.5	0.41
			incl. 21.0	36.0	15.0	1.00
ANK-15-16 <sup>1</sup>	27-16	N345°/-45 <sup>0</sup>	10	11	1.0	19.45
	ORBI		91	94	3.0	1.05
ANK-15-17B <sup>1</sup>	ORBI	N345°/-45 <sup>0</sup>	30	31	1.0	4.67
ANK-15-18 <sup>2</sup>	Bobby	N345°/-45 <sup>0</sup>	69	71	2.0	1.60
ANK-15-19B <sup>2</sup>	Bobby	N165°/-45 <sup>0</sup>	19	20	1.0	1.27
			58	59	1.0	1.93
ANK-15-20 <sup>2</sup>	Exploration	N345°/-45 <sup>0</sup>	77	80	3.0	1.47
			84	85	1.0	1.06
ANK-15-21 <sup>2</sup>	Bobby	N165°/-45 <sup>0</sup>	162.84	170.80	7.96	1.28
			incl. 165	166.54	1.54	3.06
1. True width is estimated between 75 and 90% of core length.						
2. True width is estimated between 45 and 60% of core length.						

All the intersections with gold mineralization presented in the table above were identified in context with several meters of silicified zones and quartz veins and veinlets mineralized in pyrite within shear zones with sericite, ankerite and some fuchsite alteration. The shear zones tend to cross-cut sedimentary units, mafic volcanics and gabbros. The shear zones vary from a few meters to tens of meters in thickness.

The follow-up work on the Orbi gold zone by drill holes ANK-15-16 and 17 demonstrated that the zone is open to the east and at depth. In addition, the ANK-15-16 drill hole identified for the first time a mineralized sedimentary unit with mineralized quartz veins several centimeters in thickness including one that had visible gold grains. The unit graded 19.45 g/t Au over 1 meter from the beginning of the drill hole. This new zone is open at depth and to the east.

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The ANK-15-18 to 22 drill holes investigated the area of the Bobby showing. Of the 5 drill holes, 4 intersected a zone of several meters of mineralization and silicification with quartz veinlets. The ANK-15-18 and 19 drill holes intersected the eastern and western margins of the mineralized zone while drill hole ANK-15-20 intersected the area 150 meters north of the location of the showing on surface. The ANK-15-21 drill hole (1.28 g/t Au over 7.96 meters) intersected the mineralized zone at a vertical depth of 125 meters demonstrating that the mineralization is open at depth.

**9. Other properties**

Two other properties, McDonald and Rivière-à l'Aigle, were explored during the 2015 summer campaign. To date, only a portion of the assays have been received from the 1,100 samples submitted to the laboratory. These partial results identified several gold anomalies (<1.0 g/t Au) along the extensions of geochemical vectors that were being investigated. Further exploration work on these properties will continue in 2016.

**9.1 McDonald property (Gold – 100% interest)**

The McDonald property is located 30 km east of the Montviel property and consists of 217 claims. In August 2012, reconnaissance and prospecting have identified alterations and lithologies favorable for gold mineralization. Following this work, a sample returned a value of 6.42 g/t Au in a highly mineralized sedimentary unit. There were no other significant results following the resampling. During the summer of 2014, a geological reconnaissance of several days allowed the collection of 43 lithological samples and 29 till samples in areas that required work for the renewal of mining titles. The results of this limited work have allowed the Company to identify several gold anomalies (<1.0 g/t Au) in a field of boulders. A helicopter-borne, high definition magnetic survey of 642 linear km (approximately 25 km<sup>2</sup>) was conducted in December 2014.

In order to continue investigating the property, an exploration and mapping program was conducted in August and September 2015. Several favorable geological settings have been identified but assays are still pending. The final compilation of the assays and the work completed is expected to take place in November 2015.

On September 10, 2015, the Company staked 9 new contiguous mining claims located in the southern part of the McDonald property to secure an area with several gold anomalies in rock and till samples.

**9.2 Rivière-à-l'aigle property (Gold – 100% interest)**

The Rivière-à-l'aigle property is located 30 km southwest of the Anik property and consists of 145 claims. The property has a particular geological setting displaying strong anomalies in the historical till survey which includes more than 30 till samples containing between 30 and 200 grains of gold and 80 till samples containing between 10 and 30 grains of gold. The property is located in an under-explored area. At the end of the summer, a few days of geological reconnaissance work were conducted in the southern part of the property. Some results are pending and the compilation of the work and the results is expected to take place in the coming weeks.

As of the date of this report, the gold portfolio, excluding Anik, McDonald and Rivière-à-l'aigle, comprises of 4 projects owned 100% by the company, located in the urbanized southern part of Northern Quebec. The majority of all other Projects benefit from permanent access, public infrastructure and experienced workforce in its immediate vicinity.

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**10. Outlook next 12 months**

- Separation – Currently, our program includes optimization of parameters and the construction of a single channel prototype. This work will establish timelines and budget for the construction of a multi-channel prototype of high purity and low capacity;
- Montviel – The remaining work for the PEA is the evaluation of the cost of the plant and infrastructure based on the May 2015 flow sheet;
- Anik and other gold properties - Interpretation and production of a geological report on the work completed in autumn 2015. Planning in anticipation of future work. Evaluation of opportunities to sell or option the portfolio and staking of projects.

**EXPLORATION AND EVALUATION RESULTS**

**Rare earths project - Montviel (100% interest)**

During the three months ended August 31, 2015, the Company incurred \$236,463 in exploration and evaluation (“E&E”) expenditures capitalized in relation to the Montviel property (\$469,400 in 2014).

Montviel- Exploration	Three Months Ended August 31,		Cumulative to date \$
	2015 \$	2014 \$	
Assays and drilling	25	6,230	4,579,336
Geology	25,225	87,654	2,937,474
Mineralogy and Metallurgy	-	-	721,944
Transport and lodging	20,898	33,819	974,050
Geophysics and Geochemistry	-	-	172,064
Depreciation of property and equipment	10,141	33,702	588,417
Taxes, permits and insurances	3,803	895	94,919
<b>Total Exploration</b>	<b>60,092</b>	<b>162,300</b>	<b>10,068,204</b>

Montviel - Evaluation	Three Months Ended August 31,		Cumulative to date \$
	2015 \$	2014 \$	
Market study	-	14,337	134,497
Mine design	47,953	36,673	471,773
Hydrogeology, Geochemistry, geotechnical and geomechanical	3,300	63,749	560,405
Environmental baseline	-	11,800	254,541
Infrastructure	-	16,170	107,599
Tailings pond	-	-	121,619
Metallurgy and processing	48,418	127,878	970,815
Separation process	53,029	16,318	746,606
Other	23,672	20,175	77,725
<b>Total Evaluation</b>	<b>176,371</b>	<b>307,100</b>	<b>3,445,580</b>
<b>Total Exploration and Evaluation expenditures capitalized</b>	<b>236,463</b>	<b>469,400</b>	<b>13,513,784</b>

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The exploration and evaluation activities performed during the three months ended August 31, 2015 have allowed the Company to continue gathering valuable information for the Montviel PEA, the environmental and social impact assessment study and the metallurgical optimization of the flow sheet process.

**Gold property - Anik (100% interest)**

For the three months ended August 31, 2015, exploration and evaluation expenses related to the Anik property amounted to \$121,421 (\$244,820 in 2014).

	Three Months Ended August 31,		Cumulative to date \$
	2015 \$	2014 \$	
<b>Anik - Exploration</b>			
Salary, Geology and prospection	59,881	134,770	605,775
Lodging and Travel expenses	24,221	43,875	226,433
Geophysics and geochemistry	650	-	162,829
Analysis and drilling	29,512	40,229	519,435
Supplies and Equipment	7,104	25,031	101,007
Taxes, permits and insurance	53	915	9,719
<b>Anik – Exploration</b>	<b>121,421</b>	<b>244,820</b>	<b>1,625,198</b>

The exploration activities performed during the three months ended August 31, 2015 were mainly incurred for geological surveys, analysis, prospecting and sampling in order to continue the property exploration.

**Other properties**

For the three months ended August 31, 2015, exploration and evaluation expenses for the Company's other properties amounted to \$73,464 (\$6,665 in 2014). The expenses were mainly incurred for geological surveys, analysis, prospecting and sampling.

*Geological information presented herein was prepared and summarized by Alain Cayer, Geo, M.Sc, VP Exploration and, qualified person pursuant to National Instrument 43-101.*

**RESULTS OF OPERATIONS**

For the three months ended August 31, 2015, the Company incurred a loss of \$445,010 (2014 - \$565,516). The decrease of \$120,506 is mainly related to the following factors:

- Decrease in exploration and evaluation expenses of \$56,600 (2015 - \$194,885 vs 2014 - \$251,485) related to the exploration work performed mainly on the Anik property;
- Decrease in travel, conference and investor relations of \$31,625 (2015 - \$12,581 vs 2014 - \$44,206) mainly related to the end of an institutional contract;
- Increase of recovery of deferred income taxes of \$37,819 (2015 - \$66,749 vs 2014 - \$28,930) related to the amortization of the flow-through share liability of the Company.

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**SUMMARY OF QUARTERLY RESULTS**

	2016	2015				2014		
(in thousands of dollars, except for per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	4	1	5	3	6	1	6	10
Loss and comprehensive loss	445	391	703	647	566	567	276	186
Loss per share – basic and diluted	0.008	0.01	0.01	0.01	0.01	0.005	0.005	0.01

The main variations in the quarterly results from the comparable period are explained as follows:

- 2016-Q1** Decrease in exploration and evaluation expenses of \$56,600 mainly due to reduced work on gold properties (Anik and other projects);
- 2015-Q4** Decrease in exploration and evaluation expenses of \$193,914 mainly due to reduced work on the Anik project;
- 2015-Q3** Increase in exploration and evaluation expenses of \$455,353 related to the exploration work performed on the Anik property;
- 2015-Q2** Increase in exploration and evaluation expenses of \$361,716 related to the exploration work performed on the Anik property;
- 2015-Q1** Increase in exploration and evaluation expenses of \$220,437 related to the exploration work performed on the gold portfolio (Anik and other properties);
- 2014-Q4** Increase of exploration and evaluation expenses of \$55,496, lower impairment of exploration and evaluation assets of \$123,895 and decrease of the amortization of flow-through share liability of \$109,397;
- 2014-Q3** Decrease of \$121,347 in salaries, employee benefits and share-based compensation and increase of \$144,983 of flow-through share related income;
- 2014-Q2** Decrease of \$204,426 in salaries, employee benefits and share-based compensation, lower professional fees of \$178,125 and reduction of exploration and evaluation expenses of \$100,204;

**LIQUIDITY AND CAPITAL RESOURCES**

As at August 31, 2015, the Company had cash and cash equivalents of \$781,617, current tax credits receivable of \$318,072 and non-current tax credits receivable of \$92,092 (\$454,671, \$355,188 and \$129,208 respectively as of May 31, 2015). The Company had a working capital of \$560,367 (\$344,349 as of May 31, 2015) on which \$365,436 is reserved for the flow-through expenses.

Management considers the working capital insufficient to meet the Company's obligations and budgeted expenditures through August 31, 2016. Consequently, management must secure additional funding to ensure timely exploration and evaluation of its properties and pay for general and administrative costs. Global economic uncertainty remains and contributes to the volatility in the capital markets, which makes equity financings for exploration companies very difficult. Any funding shortfalls 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 guarantees that it will be able to do so in the future, or that any source of funding or initiatives will be available on reasonable terms to the Company. Note 1 of the condensed interim financial statements for the three month ended August 31, 2015 reflects this uncertainty.

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*Private placements*

On June 19, 2015, the Company completed the first tranche of a private placement totaling 1,311,112 units at a price of \$0.18 per unit and 2,608,000 flow-through shares at \$0.23 price for a total of \$835,840. Each unit consists of one common share and one -half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.23 per share for a period of 24 months or no later June 19, 2017.

On July 3, 2015, the Company completed the final tranche of a private placement totaling 1,294,444 units at a price of \$0.18 per unit for gross proceeds of \$233,000. Each unit consists of one common share and one -half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.23 per share for a period of 24 months or no later than July 3, 2017.

*Tax credits receivable*

On June 25, 2015, the Company received a reimbursement of \$48,813 in connection with the tax credits refundable for investment in research and development for the year ended May 31, 2013.

**ADDITIONAL INFORMATION**

*Outstanding Shareholders' Equity Data:*

As of October 26, 2015, the following are outstanding:

	As of August 31, 2015	Issuance	Expiration	As of October 26, 2015
• Common Shares	62,203,116	-	-	62,203,116
• Stock options <sup>(1)(2)</sup>	2,515,000	300,000	(185,000)	2,630,000
• Warrants <sup>(3)</sup>	8,260,082	-	(1,866,666)	6,393,416
• Broker options <sup>(4)</sup>	424,167	-	(264,167)	160,000

(1) On September 14, 2015, the Company granted 300,000 stock options to the President and CEO at a price of \$0.085 per share in accordance with the terms of the Stock Option Plan of the Company.

(2) In September 2015, 185 000 stock options granted to administrators expired at an average exercise price of \$0.31 per share.

(3) In September 2015, 1 866 666 warrants expired at an exercise price of \$0.90.per share

(4) In September and October 2015, a total of 264 167 broker options expired at an exercise price of \$0.60 per share.

**RISK AND UNCERTAINTIES**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled " Risk and Uncertainties" in the Company's management's discussion and analysis for the fiscal year ended May 31, 2015 available on SEDAR at [www.sedar.com](http://www.sedar.com).

**CRITICAL ACCOUNTING POLICIES, ESTIMATES, JUDEMENTS AND ASSUMPTIONS**

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Company's critical accounting policies, estimates, judgments, assumptions in the financial statements as at May 31, 2015, Notes 1, 2, 3 and 4, available at [www.sedar.com](http://www.sedar.com).

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**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The accounting policies applied by the Corporation in the unaudited condensed interim financial statements for the three months ended August 31, 2015, are consistent with those applied by the Company in the audited financial statements for the year ended May 31, 2015.

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Company's financial statements are the responsibility of the Company's management. The financial statements were prepared by the Company's management in accordance with IFRS. The financial statements include certain amounts based on the use of estimates, judgements and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects. The condensed interim financial statements have been approved by the board of directors based on the estimates, judgements and assumptions as presented by management and the certifications by the CEO and CFO.