Geomega Resources Inc.

Unaudited Condensed Interim Consolidated Financial Statements

Six month ended November 30, 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, in Canadian Dollars)

	Note	As at November 30 2017	As at May 31 2017
		$	**$**
Assets			
Current assets			
Cash		125,967	80,690
Accounts receivable		28,255	203,613
Sales tax receivable		32,998	21,420
Tax credits and government grant receivable		57,993	66,383
Prepaid expenses and others		25,338	24,523
Current assets		270,551	396,629
Non-current assets			
Investment in an associate	5	1,387,992	1,537,681
Property and equipment		164,140	184,127
Non-current assets		1,552,132	1,721,808
Total assets		**1,822,683**	**2,118,437**
Liabilities			
Current liabilities			
Trade and other payables		468,770	439,994
Liability related to share exchange rights	10	496,638	477,840
Total current liabilities		965,408	917,834
Non-current liabilities			
Convertible debentures	6	179,898	-
Total Liabilities		**1,145,306**	**917,834**
Equity			
Share capital		28,210,935	28,210,935
Equity component of convertible debentures	6	7,049	-
Warrants	7	746,279	691,579
Broker options	8	-	8,195
Stock options		365,376	413,604
Contributed surplus		3,544,184	3,442,881
Deficit		(32,181,033)	(31,558,230)
Equity attributable to Geomega Resources Inc.'s shareholders		692,790	1,208,964
Non-controlling interests		(15,413)	(8,361)
Total equity		**677,377**	**1,200,603**
Total liabilities and equity		**1,822,683**	**2,118,437**

Going concern (Note 1), subsequent events (Note 12)
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Geomega Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Unaudited, in Canadian Dollars)

		Three months ended November 30		Six months ended November 30	
	Note	2017	2016 (adjusted note2)	2017	2016 (adjusted note 2)
		$	$	$	$
Operating Expenses					
Salaries, employee benefits, settlement and share-based compensation		37,650	157,194	71,730	229,322
Directors fees, net of adjustment for a settlement in shares		8,750	18,750	(27,500)	37,500
Exploration and evaluation expenses, net of tax credits	11	87,795	173,567	156,058	349,573
Professional fees		66,797	35,604	176,656	130,250
Travel, conference and investor relations		517	5,040	1,203	12,715
Administration		3,204	8,456	5,869	13,351
Filing fees		16,276	26,820	20,986	32,798
Rent		6,063	7,884	18,126	23,653
Insurance, taxes and permits		8,310	4,644	17,416	19,917
Operating loss		**(235,362)**	**(437,959)**	**(440,544)**	**(849,079)**
Other income (expenses)					
Interest expense		(7,177)	-	(7,177)	(536)
Finance costs		(16,365)	(8,739)	(27,234)	(17,126)
Share of loss of associate	5	(172,834)	-	(256,146)	-
Net gain on dilution of investment in an associate	5	106,457	-	106,457	-
		(89,919)	**(8,739)**	**(184,100)**	**(17,662)**
Net loss - continuing operations before income taxes		(325,281)	(446,698)	(624,644)	(866,741)
Deferred income taxes recovery		-	45,300	-	95,800
Net loss - continuing operations		**(325,281)**	**(401,398)**	**(624,644)**	**(770,941)**
Net loss - discontinued operations	4,11	-	(71,615)	-	(45,653)
Net loss		**(325,281)**	**(473,013)**	**(624,644)**	**(816,594)**
Other comprehensive loss					
Unrealized gain due to change in value of marketable securities		-	45,000	-	22,500
Other comprehensive loss		-	45,000	-	22,500
Comprehensive loss		**(325,281)**	**(428,013)**	**(624,644)**	**(794,094)**
Net loss attributable to:					
Geomega Resources Inc. shareholders		(321,512)	(468,077)	(617,592)	(807,483)
Non-controlling interests		(3,769)	(4,936)	(7,052)	(9,111)
Net loss – continuing operations attributable to:					
Geomega Resources Inc. shareholders		(321,512)	(396,462)	(617,592)	(761,830)
Non-controlling interests		(3,769)	(4,936)	(7,052)	(9,111)
Comprehensive loss attributable to:					
Geomega Resources Inc. shareholders		(321,512)	(423,077)	(617,592)	(784,983)
Non-controlling interests		(3,769)	(4,936)	(7,052)	(9,111)
Basic and diluted loss per share		(0.004)	(0.006)	(0.008)	(0.010)
Basic and diluted loss per share – continuing operations		(0.004)	(0.005)	(0.008)	(0.010)
Basic and diluted loss per share – discontinued operations		-	(0.001)	-	(0.001)
Weighted average number of basic and diluted outstanding shares		78,258,049	77,433,712	78,258,049	77,433,712

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, in Canadian Dollars)

	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
			$	$	$	$	$	$	$	$	$	$
Balance at May 31, 2016, as adjusted		77,433,712	28,138,731	559,010	23,595	1,134,067	2,616,232	(31,411,281)	-	1,060,354	-	1,060,354
Net loss		-	-	-	-	-	-	(807,483)	-	(807,483)	(9,111)	(816,594)
Other comprehensive loss		-	-	-	-	-	-	-	22,500	22,500	-	22,500
Comprehensive loss		-	-	-	-	-	-	(807,483)	22,500	(784,983)	(9,111)	(794,094)
Investment in Innord by non-controlling interest	10	-	-	-	-	-	-	242,014	-	242,014	7,986	250,000
Liability related to share exchange rights	10	-	-	-	-	-	-	(442,724)	-	(442,724)	-	(442,724)
Shared-based compensation		-	-	-	-	17,317	-	-	-	17,317	-	17,317
Expired and forfeited stock options		-	-	-	-	(802,239)	802,239	-	-	-	-	-
Extended warrants		-	-	132,569	-	-	-	(132,569)	-	-	-	-
Expired broker options		-	-	-	(14,400)	-	14,400	-	-	-	-	-
Balance at November 30, 2016 adjusted		**77,433,712**	**28,138,731**	**691,579**	**9,195**	**349,145**	**3,432,871**	**(32,552,043)**	**22,500**	**91,978**	**(1,125)**	**90,853**

	Note	Number of shares outstanding	Capital stock	Equity component of convertible debentures	Warrants	Broker Options	Stock Options	Contributed surplus	Deficit	Equity attributable to Geomega Resources Inc.	Non-controlling interest	Total equity
			$	$	$	$	$	$	$	$	$	$
Balance at May 31, 2017		78,258,049	28,210,935	-	691,579	8,195	413,604	3,442,881	(31,558,230)	1,208,964	(8,361)	1,200,603
Net loss		-	-	-	-	-	-	-	(617,592)	(617,592)	(7,052)	(624,644)
Other comprehensive loss		-	-	-	-	-	-	-	-	-	-	-
Comprehensive loss		-	-	-	-	-	-	-	(617,592)	(617,592)	(7,052)	(624,644)
Issuance of convertible debentures	6	-	-	7,049	49,489	-	-	-	-	56,538	-	56,538
Shared-based compensation		-	-	-	-	-	44,880	-	-	44,880	-	44,880
Expired and forfeited stock options		-	-	-	-	-	(93,108)	93,108	-	-	-	-
Extended warrants	7	-	-	-	5,211	-	-	-	(5,211)	-	-	-
Expired broker options	8	-	-	-	-	(8,195)	-	8,195	-	-	-	-
Balance at November 30, 2017		**78,258,049**	**28,210,935**	**7,049**	**746,279**	**-**	**365,376**	**3,544,184**	**(32,181,033)**	**692,790**	**(15,413)**	**677,377**

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

Geomega Resources Inc.
Consolidated Statements of Cash Flows
(Unaudited, in Canadian Dollars)

		Six months ended November 30	
	Note	2017	2016 (adjusted note 2)
		$	$
Operating activities			
Net loss relating to continuing operations		(624,644)	(770,941)
Net loss relating to discontinued operations	4	-	(45,653)
Net loss		(624,644)	(816,594)
Adjustments for:			
Share-based compensation		44,880	17,317
Depreciation		31,387	27,855
Gain from exploration and evaluation properties disposal	4	-	(75,000)
Finance costs		27,234	17,126
Share of loss of associate	5	256,146	-
Net gain on dilution of investment in an associate	5	(106,457)	-
Deferred income tax recovery		-	(95,800)
Changes in non-cash working capital items			
Accounts receivable		175,358	-
Sales tax receivable		(11,578)	(223)
Tax credits receivable		8,390	(3,221)
Prepaid expenses and other		(815)	(12,757)
Trade and other payables		21,776	(23,432)
Cash flows used in operating activities		**(178,323)**	**(964,729)**
Investing activities			
Additions of property and equipment		(11,400)	(7,629)
Cash flows used in investing activities		**(11,400)**	**(7,629)**
Financing activities			
Financing convertible debentures, net of transaction fees	6	235,000	-
Contribution of non-controlling shareholders	10	-	250,000
Cash flows from financing activities		**235,000**	**250,000**
Net change in cash		45,277	(722,358)
Cash – beginning		80,690	1,372,840
Cash – ending		**125,967**	**650,482**
Additional information			
Interest received		-	409
Interest paid		-	-
Convertible debenture issuance costs included in trade and other payables	6	7,000	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Geomega Resources Inc. (the “Corporation” or “Company”) 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 January 25, 2018.

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 (“E&E") 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 six months ended November 30, 2017, the Corporation reported a net loss of $624,644 and has accumulated a deficit of $31,181,033 up to that date. As at November 30, 2017, the Corporation had a negative working capital of $694,857.

Management estimates that the working capital will not be sufficient to meet the Corporation’s obligations and commitments and budgeted expenditures through November 30, 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. SUMMARY OF 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.

2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the annual financial statements for the year ended May 31, 2017, 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, 2017, except for the policies described below.

Convertible debentures
The liability, equity and other (when applicable) components of convertible debentures are presented separately on the statement of financial position, starting from initial recognition. The Corporation determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. Subsequently, the liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible debenture at maturity which is recorded in the statement of income as finance cost.

The carrying amount of other components (when applicable), such as warrants, for example, is obtained by deducting the nominal value of the debentures and the present value of future capital payments at the prevailing market rate for a convertible debenture without warrants.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible debenture, and is presented in Equity as an equity component of convertible debenture. The equity component is not re-measured subsequent to initial recognition, except on conversion or expiry.

The transaction costs are distributed between liability, equity and other (when applicable) components, on a pro-rata basis according to their carrying amounts.

Change in accounting policy
The Corporation had historically capitalized expenditures on E&E activities after they had reached a certain stage under *IFRS 6 - Exploration and Evaluation of Mineral Resources*.

During Fiscal year ended May 31, 2017, the Corporation adopted a voluntary change in accounting policy with respect to E&E expenses. The Corporation's new policy is to expense E&E expenses in the statement of income (loss) until such time as the technical feasibility and commercial viability has been established that supports the future development of the property, and such development receives the Board of Directors approval.

The Corporation has determined that such a voluntary change in accounting policy results in consolidated financial statements providing more relevant information as well as bringing the Corporation in line with a similar accounting policy adopted by its peers.

(Unaudited, in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

This change has been applied to all the Corporations E&E activities on all properties.

In accordance with *IAS 8 – Accounting policies, changes in accounting estimates and errors* as of May 31, 2017, the change in accounting policy has been made retrospectively and the comparatives have been adjusted accordingly to all periods presented, as if the policy had always been applied.

The following tables summarises the impact of the change in accounting policy on affected line items within the Corporation's consolidated comparative statements of loss and comprehensive loss and cash flows, respectively for the six months period ended November 30, 2016:

Consolidated statements of loss and comprehensive loss:

	Six months ended November 30, 2016		
	As Previously reported	**Impact**	**Adjusted**
	$	**$**	**$**
E&E expenses, net of tax credits	29,505	320,068	349,573
E&E expenses, discontinued operations	105,246	15,407	120,653
Impairment of E&E assets	26,641	(26,641)	-
Net loss	511,369	305,225	816,594
Comprehensive loss	488,869	305,225	794,094
Basic and diluted loss per share	(0.007)	(0.003)	(0.010)

Consolidated statement of cash flows:

	Six months ended November 30, 2016		
	As Previously reported	**Impact**	**Adjusted**
	$	**$**	**$**
Operating activities			
Net loss relating to continuing operations	406,123	364,818	770,941
Net lost relating to discontinued operations	105,246	(59,593)	45,653
Impairment of E&E assets	26,641	(26,641)	-
Trade and other payables	14,100	(37,532)	(23,432)
Investing activities			
Additions of E&E assets	(392,177)	392,177	-

3. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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.

(Unaudited, in Canadian Dollars)

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

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, 2017, except for the new judgements and estimates described below.

Carrying value of the components of the convertible debentures
The liability and equity components of convertible debentures are presented separately on the statement of financial position starting from initial recognition. The Corporation determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. The prevailing market rate used for the calculation and the identification of similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option is a significant estimate of the Corporation and a change in the rate could impact the carrying value of the liability component and consequently of the equity component and also impacts the accretion expense which is recorded over the term of the convertibles debentures.

4. DISCONTINUED OPERATIONS AND SALE OF GOLD ASSETS

On March 24, 2017, the Company divested of its interest in its gold mining titles. As a result, the Company has presented the Financial Statements to segregate the discontinued operations related to the gold assets from those balances relating to the Company's continuing operations for the period up to March 24, 2017

Loss from discontinued operations consists of the following:

	Six months ended November 30, 2017	Six months ended November 30, 2016
	$	$
E&E expenses, net of tax credits	-	(120,653)
Gain in disposal of E&E properties – Buckingham	-	75,000
Net loss - discontinued operations	**-**	**(45,653)**

5. INVESTMENT IN AN ASSOCIATE CORPORATION

Kintavar Exploration Inc. ("Kintavar") is the Corporation's only associate and it is material to the group. Kintavar's share capital consists solely of ordinary shares, which are held directly by the Corporation. Kintavar is incorporated in Canada where are its exploration and evaluation activities on gold bearing properties, which are not strategic to the Corporation's own activities, are carried out. The proportion of ownership interest is the same as the proportion of voting rights held. The investment in Kintavar is accounted for under the equity method and its fair value as November 30, 2017 is $1,785,714 (17,857,143 shares at $0.10). The Corporation categorized the fair value measurement in Level 1, as it is derived from quoted prices in active markets. As a result of the issuance of 3,920,692 Kintavar shares, the Corporation's interest in Kintavar was diluted from 38.75% to 35.71%.

(Unaudited, in Canadian Dollars)

5. INVESTMENT IN AN ASSOCIATE CORPORATION (CONT'D)

	Six months ended November 30, 2017	Year ended May 31, 2017
	$	$
Balance at beginning of period	1,537,681	-
Acquisitions	-	1,537,681
Share of net loss	(256 146)	-
Net gain from dilution of the interest	106 457	-
Balance at end of period	**1 387 992**	**1,537,681**

The following common shares issued by Kintavar to the Corporation are subject to resale restriction periods as follows:

- 4,464,285 common shares, released;
- 2,678,571 common shares, will be released on March 31, 2018;
- 2,678,571 common shares, will be released on September 30, 2018;
- 2,678,571 common shares, will be released on March 31, 2019;
- 2,678,571 common shares, will be released on September 30, 2019; and
- 2,678,574 common shares, will be released on March 31, 2020.

17,857,143 total common shares

6. CONVERTIBLE DEBENTURES

	Six months ended November 30, 2017	Year ended May 31, 2017
	$	$
Balance at beginning of period	-	-
Addition, net	171,462	-
Accretion expense	8,436	-
Balance at end of period	**179,898**	-

On August 11, 2017, the Corporation closed a first tranche of $235,000 of a non-brokered private placement of units, each unit is comprised of one unsecured convertible debenture in the principal amount of $1,000 and 5,000 warrants. The convertible debentures have a two year maturity date and bear an interest of 10% per annum, compounded quarterly and payable quarterly in arrears. The Corporation has the option to pay such interest by delivering such number of common shares as may be required, at an issue price per share based upon the 20-day volume weighted average price ("VWAP") of the Corporation's common shares on the Exchange on the due date of the quarterly interest payment. Any such interest payment in common shares shall be subject to the approval of the TSXV.

Each warrant will entitle the holder to purchase one common share at a price of $0.10 per share for a period of twelve months from the closing and thereafter at a price of $0.12 per share until the date which is twenty-four months from the closing.

The convertible debentures will be convertible into common shares at the option of the holder at any time prior to the maturity date based on the following conversion price, subject to adjustment in certain events: (i) at a price of $0.10 per common share if converted during the period of twelve months from the closing of the Offering; and (ii) at a price of $0.12 per common share if converted during period following the twelve month anniversary of the closing until the date which is twenty-four months from the closing.

(Unaudited, in Canadian Dollars)

6. CONVERTIBLE DEBENTURES (CONT'D)

The convertible debentures will be subject to redemption, in whole or in part, by the Corporation should the Corporation realize gross proceeds from a subsequent private placement of securities or as a result of the exercise of the warrants in an amount equal to the gross proceeds of the Offering at any time following the closing of the Offering upon giving the holders of the Convertible Debentures not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the convertible debentures plus all accrued and unpaid interest up to and including the redemption date plus a redemption premium as follows: (i) 10% during the first six months following the closing of the Offering; (ii) 5% from the six month anniversary of the closing to the twelve month anniversary following the closing; (iii) 3% following the twelve month anniversary following the closing until the Maturity Date. A holder of convertible debentures may elect to convert its convertible debentures by providing the Corporation with a written notice to that effect within five business days of the receipt by the holder of the redemption notice.

When initially recorded, the proceeds received amounted to $235,000 for the convertible debentures. Of this amount, the debt, warrants and equity components represents respectively $178,462, $49,489 and $7,049. The debt component was evaluated first using an effective rate of 14% corresponding to a rate that the Corporation would have obtained for a similar financing without the conversion option. Subsequently, the Corporation evaluated the fair value of the 1,175,000 warrants by deducting the nominal value of the debentures and the present value of future capital payments using an effective rate of 12% corresponding to a rate that the Corporation would have obtained for a convertible debenture without warrants. The residual was attributed to the equity component and is presented in the shareholder's equity.

In connection with this transaction, the Corporation paid $7,000 in fees, which were recorded as a reduction of the convertible debenture.

7. WARRANTS

Changes in the Corporation's warrants are as follow:

	Six months ended November 30, 2017			Year ended May 31, 2017		
	Number of warrants	**Carrying Value**	**Weighted average exercise price**	**Number of warrants**	**Carrying Value**	**Weighted average exercise price**
		$	**$**		**$**	**$**
Opening	12,104,131	691,579	0.16	12,104,131	559,010	0.16
Issued (note 6)	1,175,000	49,489	0.10	-	-	-
Extended	-	5,211	-	-	132,569	-
Cancelled (note 11.1)	(1,000,000)	-	0.15			
	12,279,131	**746,279**	**0.15**	**12,104,131**	**691,579**	**0.16**

(Unaudited, in Canadian Dollars)

7. WARRANTS (CONT'D)

Warrants outstanding as at November 30, 2017 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
5,710,715	0.09	February 22, 2018
1,302,778	0.23	June 19, 2018 (extended)
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)
1,175,000	Year 1: 0.10 / Year 2: 0.12	August 11, 2019 (note 6)
12,279,131		

On June 8, 2017, the 1,302,778 warrants due to expire on June 19, 2017 have been extended by one year. The total cost of the warrant extension is $5,211 which has been recorded under warrants and the offsetting entry is recorded in the deficit. The fair value of the warrants extension was estimated using the Black-Scholes model calculated for the difference 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, 87.2% and 37.8% expected volatility, 0.65% and 0.53% risk-free interest rate and 1.04 and 0.04 years warrant expected life.

On August 26, 2015, the Corporation had agreed to extend to July 1, 2019 the term of the 1,000,000 warrants held by the Chief Technology Officer, an employee, and issued in consideration for all rights, title and interest in two patents related to the Corporation's rare earth elements physical separation process. In addition, the intrinsic fair value of the warrants were no longer capped at $5 million at the time they became exercisable. As per the Patent ownership and royalty agreement signed on August 11, 2017, these 1,000,000 warrants have been cancelled on October 19, 2017 (note 11.1).

8. BROKER OPTIONS

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

	Six months ended November 30, 2017			Year ended May 31, 2017		
	Number of broker options	Carrying Value	Weighted average exercise price	Number of broker options	Carrying Value	Weighted average exercise price
		$	$		$	$
Opening	204,875	8,195	0.09	389,875	23,595	0.16
Expired	(204,875)	(8,195)	0.09	(160,000)	(14,400)	0.25
Exercised	-	-	-	(25 000)	(1 000)	0.09
	-	**-**	**-**	**204,875**	**8,195**	**0.09**

(Unaudited, in Canadian Dollars)

9. STOCK OPTIONS

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

	Six months ended November 30, 2017		Year ended May 31, 2017	
	Number of options	**Weighted Average Exercise Price**	**Number of options**	**Weighted Average Exercise Price**
		$		$
Balance, beginning	4,450,000	0.14	3,145,000	0.40
Granted	1,445,000	0.09	1,920,000	0.095
Expired	(300,000)	0.43	(562,500)	1.44
Exercised	-	-	(25,000)	0.07
Cancelled	-	-	(27,500)	0.08
Forfeited	(262,500)	0.09	(52,500)	0.09
Balance, end	**5,332,500**	**0.11**	**4,450,000**	**0.14**
Balance, end exercisable	3,040,000	0.13	2,755,000	0.17

The number of options outstanding as of November 30, 2017 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		$	
225,000	225,000	0.15	June 28, 2018 (cancelled on January 18, 2018)
225,000	225,000	0.16	July 22, 2018 (cancelled on January 18, 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 (120,000 cancelled on January 18, 2018)
30,000	30,000	0.14	January 23, 2020
300,000	300,000	0.09	September 13, 2020
682,500	682,500	0.07	November 22, 2020 (112,500 cancelled on January 18, 2018)
1,695,000	847,500	0.095	November 29, 2021 (75,000 cancelled on January 18, 2018)
945,000	-	0.09	October 19, 2022
500,000	-	0.085	November 14, 2022
5,332,500	**3,040,000**		

On October 19, 2017, the Corporation granted to its directors, officers, employees and consultants 945,000 options exercisable at $0.09, valid for 5 years. Those options were granted at an exercise price above to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $54,810 for an estimated fair value of $0.058 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 102% expected volatility, 1.65% 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.

(Unaudited, in Canadian Dollars)

9. STOCK OPTIONS (CONT'D)

On November 14, 2017, the Corporation granted to its consultant 500,000 options exercisable at $0.085, valid for 5 years. Those options were granted at an exercise price above to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $26,000 for an estimated fair value of $0.052 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 97% expected volatility, 1.65% 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.

10. NON CONTROLLING INTEREST

On June 3, 2016, the Corporation concluded a subscription agreement with two institutional investors, Société de dévelopement 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. The options are as follow:

- If the phase 1A conclusion is positive, the investors can request, from June 3, 2019, 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.

On September 19, 2017, the Corporation announced that the total capacity of the prototypes reaching approximately 1kg of rare earth oxides ("REO") per run was reached and discussion are being held with the institutional investors on the potential conclusion outcome of phase 1A.

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.

	Six months ended November 30, 2017	**Year ended May 31, 2017**
	$	**$**
Balance beginning	477,840	-
Addition - Exchange options discounted granted to SDBJ and ARBJ	-	442,724
Accretion expense	18,798	35,116
Liability related to exchange rights	**496,638**	**477,840**

(Unaudited, in Canadian Dollars)

11. EXPLORATION AND EVALUATION EXPENSES

	Three months ended November 30		Six months ended November 30	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Montviel	87,795	161,109	156,058	320,067
Gold properties and general exploration	-	12,458	-	29,506
Exploration and evaluation expenses	**87,795**	**173,567**	**156,058**	**349,573**

	Three months ended November 30		Six months ended November 30	
Montviel	**2017**	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Acquisition and maintenance	**833**	**2,345**	**1,731**	**4,374**
Exploration				
Salaries and benefits	5,898	43,235	5,898	96,244
Share-based compensation	5,092	3,172	9,497	5,657
Geology	119	1,412	119	3,813
Assays and drilling	-	476	-	3,628
Transport and lodging	379	7,349	732	28,539
Geophysics and Geochemistry	1,610	8,327	14,882	18,077
Depreciation of property and equipment	2,808	1,859	5,617	8,352
Taxes, permits and insurances	283	460	1,559	908
Billing - rental	(7,375)	-	(22,870)	-
Total exploration	**8,814**	**66,290**	**15,434**	**165,218**
Evaluation				
Metallurgy and processing	-	-	-	8,595
Salaries and benefits - Metallurgy and processing	57,298	80,889	129,127	144,305
Separation process	11,998	30,262	23,032	30,002
Depreciation of property and equipment	12,885	9,369	25,770	19,503
Total Evaluation	**82,181**	**120,520**	**177,929**	**202,405**
Gross E&E expenses	91,828	189,155	195,094	371,997
Government grants	(4,033)	(28,046)	(39,036)	(51,930)
Mining credits	-	-	-	-
Net E&E expenses - Montviel	**87,795**	**161,109**	**156,058**	**320,067**

(Unaudited, in Canadian Dollars)

11. EXPLORATION AND EVALUATION EXPENSES (CONT'D)

	Three months ended November 30		Six months ended November 30	
Gold properties and general exploration	**2017**	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Acquisition and maintenance	-	9,322	-	15,408
Salaries and benefits	-	38,929	-	86,871
Lodging and travel expenses	-	3,310	-	10,079
Analysis	-	9,204	-	11,156
Geophysics	-	21,299	-	21,299
Supplies and equipment	-	1,963	-	4,358
Taxes, permits and insurance	-	46	-	988
E&E expenses before tax credits	-	84,073	-	150,159
Tax credits	-	-	-	-
	-	84,073	-	150,159
Transfer to discontinued operations	-	(71,615)	-	(120,653)
E&E expenses - gold properties and general exploration	**-**	**12,458**	**-**	**29,506**

11.1 Patent ownership and royalty agreement

On August 11, 2017, the Corporation and Innord entered into a patent ownership and royalty agreement with its Chief Technology Officer ("CTO") to insure the long-term development and commercialization of the Corporation's proprietary rare earths extraction and separation technologies. The Agreement replace the 2013 agreement that granted the CTO 1,000,000 warrants in exchange for the transfer by the CTO of certain intellectual property rights to the Corporation, and which warrants have been cancelled pursuant to the Agreement. On October 19, 2017, the Agreement was approved by the shareholders of the Corporation at the annual meeting of the shareholders and is subject to the final Exchange approval.

The Extraction Royalty and the Separation Royalty (the "Royalties") to be granted to the CTO on commercialization under the Agreement may be summarized as follows:

- Extraction Royalty of 1.5% of the Net Profits for the extraction products. The royalty will increase to 2% if the gross profit margin of the operation ("GPM"), before subtracting the Royalties, is greater than 40% and it will be reduced to 1% if the GPM, before subtracting the Royalties, is less than 15%.
- Separation Royalty of 3% of the Net Sales Revenue for the separation products. The royalty will increase to 4% if the GPM, before subtracting the Royalties, is greater than 40% and it will be reduced to 2.5% if the GPM, before subtracting the Royalties, is less than 15%.

Pursuant to the Agreement, commercialization is deemed to occur at the earliest of:

- Oxide separation at a rate of 50 kg/day of Separation Products in oxide form for at least (i) 10 consecutive business days or (ii) 20 business days during any 2 month period, and the receipt by the Corporation of the full payment of a first order relating to such production.
- Montviel production – if the Corporation's Montviel project has reached 100% of nameplate capacity or 12 months after reaching 60% capacity or after reaching 60% of capacity and no longer ramping up to 100%.

11. EXPLORATION AND EVALUATION EXPENSES (CONT'D)

In addition, and in order to secure the long term commitment of the CTO, the Agreement provides that development work not currently covered by the patents that the Corporation has already filed, will be jointly owned by the CTO and the Corporation (for the extraction work) and Innord (for the separation work) until commercialization at which point such rights shall be assigned to the Corporation and Innord, as the case may be. Notwithstanding the CTO's joint ownership rights in respect of new development work described above, the CTO shall not have any right to make, use, sell, dispose, offer for sale, grant licenses, import, export or otherwise distribute products or practice processes covered by one or more claims of the patents or any intellectual property without the prior written consent of the Corporation and/or Innord, which may be withheld in their sole discretion. Nevertheless, if there is a change of control or if there is no commercialization, the CTO would be granted a non-exclusive commercialization licence.

12. SUBSEQUENT EVENTS

12.1 Distribution of Kintavar's shares

Following the Kintavar sell of gold mining properties, the shareholders of the Corporation approved on October 19, 2017 at the annual meeting of shareholders, the distribution, in the form of a return of capital, of a portion of the 17,857,143 Kintavar shares to the Corporation's shareholders. The number of shares to be distributed to shareholders and the date of distribution will be determined by the Board of Directors at the appropriate time.

12.2 Shares for debt

On October 19, 2017, the Corporation's Board of Directors approved the issuance of 948,299 common shares at a deemed price of $0.09 per share, for the settlement of a combined debt of $85,348, of which $65,348 represents the amount due to the current and previous directors for their fees and $20,000 due to the CFO for professional fees. On January 16, 2018, the Exchange approved the issue of shares in settlement for debt and the Corporation issued the shares in accordance with the settlement on January 22, 2018.

12.3 Conversion exercise of convertible debentures

On January 3, 2018, a holder of convertible debentures converted $125,000 of debentures into common shares at a price of $0.10 per share pursuant to the convertible debenture. The Corporation issued the 1,250,000 common shares on January 22, 2018.