



## **Geomega Resources Inc.**

Management's Discussion and Analysis

May 31, 2018

# Geomega Resources Inc.

## Table of content

---

1.	Nature of activities .....	3
2.	Corporate update .....	4
3.	Next 12 months outlook.....	6
4.	Exploration and validation of the separation technology activities .....	6
5.	Selected annual information .....	10
6.	Results of operations.....	11
7.	Summary of results per quarters.....	12
8.	Liquidity and capital resources .....	12
9.	Commitments .....	13
10.	Off balance sheet arrangements.....	13
11.	Related party transactions .....	13
12.	Financial instruments.....	15
13.	Outstanding data share .....	15
14.	Stock option plan.....	15
15.	Risk and uncertainties .....	15
16.	Critical accounting policies, estimates, judgements and assumptions.....	20
17.	Subsequent events.....	20
18.	Management's responsibility for financial information .....	21

# Geomega Resources Inc.

## Management Discussion & Analysis

For the year ended May 31, 2018

---

The following management discussion and analysis (the “MD&A”) of the financial condition and results of the operations of Geomega Resources Inc. (the “Corporation” or “GéoMégA”) constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for the year ended May 31, 2018. This MD&A should be read in conjunction with the Corporation’s audited consolidated financial statements as at May 31, 2018 prepared in accordance with the International Financial Reporting Standards (“IFRS”). All figures are in Canadian dollars unless otherwise noted.

The MD&A contains forward-looking statements not based on historical facts. Forward-looking statements express, as of the date of this MD&A, management’s 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 metals, mining industry risks, uncertainty as to the calculation of mineral reserves and requirements of additional financing and the capacity of the Corporation to obtain financing.

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

Abbreviation	Period
Q1-17	June 1, 2016 to August 31, 2016
Q2-17	September 1, 2016 to November 30, 2016
Q3-17	December 1, 2016 to February 28, 2017
Q4-17	March 1, 2017 to May 31, 2017
Fiscal 17	June 1, 2016 to May 31, 2017
Q1-18	June 1, 2017 to August 31, 2017
Q2-18	September 1, 2017 to November 30, 2017
Q3-18	December 1, 2017 to February 28, 2018
Q4-18	March 1, 2018 to May 31, 2018
Fiscal 18	June 1, 2017 to May 31, 2018
Fiscal 19	June 1, 2018 to May 31, 2019

## 1. NATURE OF ACTIVITIES

GéoMégA is a mineral exploration and evaluation Corporation focused on the discovery and sustainable development of economic deposits of metals in Quebec. GéoMégA is committed to meeting the Canadian mining industry standards and distinguishing itself with innovative engineering, high stakeholder engagement and dedication to local transformation benefits. The common shares of the Corporation are trading under the symbol GMA on the TSX Venture Exchange (the “Exchange”).

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

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

## **2. CORPORATE UPDATE**

### **2.1 Private placement**

GéoMéga improved its working capital through the following financing activities:

#### Convertible debentures

On August 11, 2017, the Corporation closed a \$235,000 non-brokered private placement of units (the "Offering"). Each unit was 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 period and bear interest at 10% per annum, compounded quarterly and payable at maturity. 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 interest payment. Any such interest payment in common shares shall be subject to the approval of the Exchange. 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 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 the period following the twelve month anniversary of the closing until the date which is twenty-four months from the closing.

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. Certain members of the board and executive management of the Corporation have participated in this first closing in the aggregate amount of \$60,000.

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

#### Private placement - Units

On May 2 and May 14, 2018, the Corporation closed a non-brokered private placement in two tranches consisting of 6,250,000 units at a price of \$0.08 per unit for aggregate gross proceeds of \$500,000. Each unit being comprised of one common share and one half warrant, each whole warrant entitling the holder hereof to acquire one share at a price of \$0.15 per share for 2 years. Share issue expenses totalled \$9,251.

On May 18, 2018, the Corporation closed a non-brokered private placement consisting of 2,652,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$265,200. Each unit being comprised of one common share and one half warrant, each whole warrant entitling the holder hereof to acquire one share at a price of \$0.15 per share for 2 years. Share issue expenses totalled \$4,773.

#### Warrants exercised

714,286 warrants were exercised for gross proceeds of \$64,286.

## **2. CORPORATE UPDATE (CONT'D)**

### **2.2. Patent ownership and royalty agreement**

On August 11, 2017, the Corporation and Innord entered into a patent ownership and royalty agreement (the "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 replaced 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.

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%.

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.

### **2.3 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 \$85,347, of which \$65,347 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.

### **2.4 AMF investigation**

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

**Geomega Resources Inc.**  
**Management Discussion & Analysis**  
For the year ended May 31, 2018

**3. NEXT 12 MONTHS OUTLOOK**

Validation of the separation technology through processing industrial residues was and remains GéoMégA's main objective since 2015. The Corporation is focusing on producing rare earth oxides, which are used in the production of permanent magnets, from high grade industrial residues.

The Corporation's objectives over the next 12 months include:

- Scale up of the technology from 20-liter unit operation to 200-liter unit operation;
- Secure supply of residues;
- Produce salable quantities of separated rare earth oxides;
- Produce by-products from residues; and
- Diversify supply of residues in order to produce other rare earth oxides (Pr, Tb, Sm, etc.)

**4. EXPLORATION AND VALIDATION OF THE SEPARATION TECHNOLOGY ACTIVITIES**

**4.1 Expense summary - Montviel property**

<b>Montviel</b>	<b>Fiscal 2018</b>	<b>Fiscal 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Acquisition and maintenance</b>	<b>8,085</b>	<b>5,305</b>
<b>Exploration</b>		
Salaries and benefits	6,177	110,251
Share-based compensation	19,343	19,967
Geology	239	4,212
Assays and drilling	-	9,142
Transport and lodging	639	38,570
Geophysics and Geochemistry	14,882	28,805
Depreciation of property and equipment	11,235	12,070
Taxes, permits and insurances	2,057	7,018
Billing – rental	(33,620)	-
<b>Total exploration</b>	<b>20,952</b>	<b>230,035</b>
<b>Evaluation</b>		
Metallurgy and processing	-	8,595
Salaries and benefits - Metallurgy and processing	266,199	272,760
Separation process	48,134	79,983
Depreciation of property and equipment	51,540	45,273
<b>Total evaluation</b>	<b>365,873</b>	<b>406,611</b>
Gross E&E expenses	394,910	641,951
Government grants	(124,209)	(128,379)
Mining credits	49,244	(9,661)
<b>Net E&amp;E expenses - Montviel</b>	<b>319,945</b>	<b>503,911</b>

Alain Cayer, P. Geo., M.Sc., Vice-President Exploration of GéoMégA, a qualified person as defined in NI 43-101 supervised the preparation of the technical information in sections 4.1, 4.2 and 4.3.

The Corporation owns 100% of the Montviel property, located approximately 100 km north of Lebel-sur-Quévillon and 45 km west of the Cree First Nation of Waswanipi. The Montviel property comprises 177 mining claims totalling 9,831 hectares as at May 31, 2018.

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

There was no surface exploration activity on the Montviel property during the Fiscal 18.

#### **4. EXPLORATION AND VALIDATION OF THE SEPARATION TECHNOLOGY ACTIVITIES (CONT'D)**

##### **4.2 Preliminary Economic Assessment (“PEA”)**

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

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

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

##### **4.3 Environmental Geochemistry**

There are four (4) environmental studies that are ongoing on Montviel. Sampling for the leachates study (in collaboration with Dr. Benoît Plante of unité de recherche et de service en technologie minérale (URSTM) and the bioavailability of rare earths to microorganisms study (in collaboration with University of Lorraine and Dr. Laure Giamberini) took place in September 2017. These are long term studies with repetitive sampling.

##### **4.4 Separation of rare earths INNORD**

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

The Corporation announced the completion of the first scale up unit and acquisition of feed material for large volume testing on September 4, 2018.

The unit has been built with off-the-shelf equipment and is now ready for larger scale testing at Innord's laboratory at the National Research Council Canada facilities. The 20-liter unit has been built on budget with an estimated cost of approximately \$20,000 and has the processing capacity of up to 7 kg per batch of recycling material. This unit includes most of the ISR processing features such as water recycling and acid recovery system which is currently estimated to occur at over 90% yield.

Work in 2018 has resulted in several improvements such as higher purities, lower residence time (approximately 8 hours) and a significant increase to the separation factor (Nd/Dy of approximately 30). With this first unit, work will focus on demonstration with larger batches and the objective to further increase the scale in 2019 to up to 200-liter unit. This will include increasing the purity to over 99.9%, increasing the recovery per run, further lowering the residence time and potentially increasing the separation factor. Table 1 below shows the progression over the years and some of the key objectives for 2019.

To begin testing the newly built unit, Innord acquired and has received over 200 kg of several types of magnetic residues with variable grades of rare earths which will allow it to produce over 100 kg of Nd and Dy once it is all processed. Discussions continue with several groups around the world to secure large volumes of magnetic residues and the outlook remains very positive for the supply to keep growing every year as more and more technologies that use large and easily recyclable magnets (e.g. wind turbines, electric vehicles, air conditioners, etc.) reach their end of life. Many global initiatives are focusing on recycling these products and Innord is well positioned with its ISR Technology to extract all the REE and cobalt in these magnets in a sustainable and price competitive way.

**4. EXPLORATION AND VALIDATION OF THE SEPARATION TECHNOLOGY ACTIVITIES (CONT'D)**

	2014	2016	2017	2018 <sup>i</sup>	2019 <sup>ii</sup>
<b>Separation Technique</b>	FFE	M. Rotofor	ISR	ISR	ISR
<b>Capacity of a Single Separation Reactor, (ml)</b>	30	150	2,500	20,000	200,000
<b>REE Concentration in Separation Reactor, (g/l) <sup>iii</sup></b>	0.0035	0.0625 - 30	~130	~100	~100
<b>Approx. Cost of Prototype, (US\$)</b>	150,000	15,000	15,000	20,000	< 100,000
<b>Type of Sample Separated</b>	Synthetic	Synthetic	Industrial Residue	Industrial Residue	Industrial Residue
<b>Major Separated Elements</b>	Multi-Elements	La, Eu, Yb	Nd, Dy	Nd, Dy	Nd, Dy
<b>Purity of Separated REO, (%)</b>	94 to 98	85 to 90	85 to 95	+99 <sup>vi</sup>	+99.9
<b>Single Run Recovery, (%)</b>	70 to 90	40 to 55	60 to 90	60 to 95	80 to 95
<b>Residence Time in Separation Reactor, (hr) <sup>iv</sup></b>	1/6-1/2	4-6	~12	~8	4-6
<b>Separation Factor (Nd/Dy) <sup>v</sup></b>	-	-	~10	~30	?

<sup>i</sup> Plan for this year

<sup>iii</sup> Volume averaged concentration

<sup>v</sup> SX: HCl/HDEHP SF = 42; SX: HCl/EHEHPA SF = 22 (Gupta)

<sup>ii</sup> Objectives and estimates

<sup>iv</sup> Single run

<sup>vi</sup> Work on Dy final purity continues

Table 1: Summary of progression over the years and key objectives for 2019.

The Corporation announced positive separation results on April 11, 2018, including the following highlights:

- High purity, magnet grade Neodymium oxide of 99.5% achieved and submitted to validation with end users. The validation that the neodymium oxide (Nd<sub>2</sub>O<sub>3</sub>) produced from its residues using the proprietary ISR Method is of 99.5%+ purity and can be used for manufacturing of rare earth alloys and permanent magnets was later announced on May 30, 2018. The End User is a European based world leader in the manufacture and supply of complex alloys and metals specializing in rare earth elements;
- Neodymium recovery is 90% and should increase towards 95% during further scale up;

The Corporation has successfully produced 99.5%+ purity neodymium oxide (Nd<sub>2</sub>O<sub>3</sub>) from industrial residues. The achieved purity is considered magnet grade and has now been submitted for validation to the magnet industry end user who initially provided the industrial residue.

Innord's proprietary Separation of REE method (the "ISR Method") has been in development now for 5 years. It was originally based on electrophoretic migration of ions, the Free Flow Electrophoresis (FFE) method, that was successfully demonstrated in 2014 and later scaled up in 2016.

Although the FFE method has been successfully operated in the laboratory setting, scaling the technology to operate in a high throughput refinery plant has been the major technical challenge that Innord was addressing.



#### **4. EXPLORATION AND VALIDATION OF THE SEPARATION TECHNOLOGY ACTIVITIES (CONT'D)**

Stemming from 3 years of experience with FFE, the Innord team sought to build upon the main advantages of that technology and shift towards a method which exploits the same principles of REE separation, all the while requiring a less sophisticated separation reactor and capable of operating in significantly higher REE concentration conditions (above 100 g/l). The ISR Method uses conventional reagents which are mostly recovered, recycled and re-used, even in the current consecutive batch type operation at Innord's facility.

The ISR Method meets all the main criteria of an alternative REE separation technology, namely:

- Eliminating the current solvent extraction technology due to its negative environmental impact and high capital cost;
- Presenting competitive operating costs;
- Offering modular scalability that allows for gradual increase of production and mitigation of capital cost requirements.

The high concentration conditions of the ISR Method are important for lowering operating costs. Innord's current estimates suggest that operating costs associated with its ISR Method are competitive with those of solvent extraction. Additional information will be provided once operation reaches higher throughput. Recovery of neodymium from the feed to final product of 99.5%+ purity is over 90% and is expected to increase to 95% during scale-up in the coming months.

Current equipment is set-up to produce at least 1 kg/day of final product. That set-up cost was estimated by Innord at around \$15,000 (as indicated in the September 19, 2017 press release). Innord is proceeding with scale-up to approximately 10 kg/day in the coming months and the Innord team expects the cost of that unit to remain below \$20,000 due to the simpler and scale-up friendly design of the ISR Method.

The industrial residue of choice that Innord is focusing on at the moment is that derived from the permanent magnet industry. Its grades are ideal (>25% TREO), it contains only the main REE that the market focuses on today (Nd, Pr, Dy and Tb) and large volumes of it are available throughout Europe and North America.

The management teams at GéoMégA and Innord have identified four main sources from the downstream market of the permanent magnet industry and have engaged in discussion with all four levels regarding securing supply of industrial residues and potential off-take agreements. Discussions are ongoing and details will be provided when available.

On June 11, 2018, the Corporation announced that it will begin offering Neodymium Oxide and Cobalt compounds for sale on its website.

The Corporation also announced positive separation results on September 19, 2017 and the highlights are as follow:

- An industrial residue was processed to produce a high purity REE concentrate (99% TREO) and 99.8% cobalt hydroxide;
- Nd and Dy oxides separated with purity of up to 95% REE and recovery of up to 90% in a single run prior to recirculation and reprocessing;
- REE concentration per unit volume 1,250 times higher than that in 2016;
- Total capacity of prototypes approximately 1 kg of REO per run.

In detail, the Corporation successfully processed an industrial residue and produced a high purity REE concentrate, a high purity cobalt product and is advancing separation of Neodymium and Dysprosium using its proprietary technology based on electrophoresis which has reached to date 95% purity for each oxide.

The industrial residue that has been successfully processed, has been identified to date in North America, Europe and Asia and is running on average, depending on the source, at grades between 40% and 50% TREO and between 1% and 2% cobalt. The residues typically contain up to 4 different REE, the main ones being Neodymium (Nd) and Dysprosium (Dy), which are critical in the production of permanent magnets.

**Geomega Resources Inc.**  
Management Discussion & Analysis  
For the year ended May 31, 2018

---

**4. EXPLORATION AND VALIDATION OF THE SEPARATION TECHNOLOGY ACTIVITIES (CONT'D)**

The Corporation is continuing to search for additional sources of this industrial residue and other residues for continued testing of its technology.

The REE concentrate produced achieved high purities of 99% TREO. Cobalt by-product was isolated in the form of cobalt hydroxide (Co(OH)<sub>2</sub>) with a purity of 99.8%, typical market grade cobalt material. The Corporation will be contacting several end-users to validate whether the cobalt by-product could be qualified as battery grade purity.

Separation of Nd and Dy oxides from the REE concentrate and scale up of the technology has been just as successful. Currently, the grade achieved for each oxide is in the 95% range with a single run recovery of up to 90%. Work is ongoing to reach 99% purity and ultimately the Corporation hopes to achieve commercial grades in the near future. If commercial grades are achieved, samples will be submitted for validation with end users that the Corporation has been in discussions with. In terms of scale up, the progress relative to the June 21, 2016 press release has been exponential. The process has been significantly simplified, which management believes will allow for a more cost-effective scaling to pilot size in the future. The concentration of REE per unit volume increased significantly and is now at least 1,250 times higher than that reported in 2016 which may result in further reduction in costs and footprint. All these process modifications resulted in the total capacity of the prototypes reaching approximately 1kg of REO per run.

The process has been tested on commercial mine concentrate containing all the 14 elements (the same concentrate that was used for tests in spring of 2014) for the purpose of initial group separation. Initial trials have been successful and further tests will be conducted to produce high purity individual oxides.

Industrial residues are the ideal feed for developing, calibrating and optimizing our proprietary technology and to prepare it for the mining industry all the while potentially producing cash flow for the Corporation and helping recycle valuable natural resources which are going today to waste piles. Our technology addresses all the environmental concerns that rare earths separation entails today – flexible that it can process various rare earth feeds, sustainable and most importantly no organic solvents used. Having found rare earth residues that contained an interesting quantity of cobalt was an unexpected yet very welcome bonus. Cobalt is a highly sought after element today with high demand for lithium ion batteries which are used together with permanent-magnet AC (PMAC) motors in electric vehicles. Establishing a market presence through a product range of Nd, Dy and Co from industrial residues is a perfect fit for the Montviel project which will be primarily focused on the Nd market as well.

All the sample analyses have been performed internally by Innord using ICP-OES and final results validated by an external laboratory, Northern Analytical laboratory Inc. in Londonderry, NH using GDMS.

Work currently continues on purification of Dy to saleable purity of 99% and higher. In parallel, the scale up is ongoing and results will be announced once available.

**5. SELECTED ANNUAL INFORMATION**

---

	<b>Fiscal 2018</b>	<b>Fiscal 2017</b>	<b>Fiscal 2016</b>
	\$	\$	\$
Interest (expenses) income	(14,964)	(536)	4,731
Net (loss) income	(784,895)	169,983	(1,588,945)
Basic and diluted (loss) income per share	(0.010)	0.002	(0.024)

---

**Geomega Resources Inc.**  
**Management Discussion & Analysis**  
For the year ended May 31, 2018

**6. RESULTS OF OPERATIONS**

**6.1 Discussion on Fiscal 2018**

The Corporation reported a net loss of \$784,895 (net income of \$169,983 in Fiscal 2017). The main variations are as follow:

- Salaries, employee benefits, severance pay and share-based compensation: \$119,660 (\$326,444 in Fiscal 2017). Since January 1, 2017, the CEO shares his time between the Corporation and Kintavar Exploration Inc. ("Kintavar") (the Corporation and Kintavar share the same CEO). In addition, severance pay of \$80,819 for a former executive was recorded in Q2-17.
- Renunciation of director fees: credit of \$52,500 (nil in Fiscal 2017). In Q1-18, two directors waived their payable director fees, therefore a total expense of \$52,500 was reversed in Fiscal 2018.
- Exploration and evaluation expenses, net of tax credits: \$319,945 (\$545,971 in Fiscal 2017). See exploration work analysis in section 4. Furthermore, on August 31, 2018, the Corporation received assessment notices from a tax authority for the years ended May 31, 2012 and 2013, denying certain expenses in the calculation of tax credits for resources and refundable credit on mining duties. During Q4-18, the Corporation recorded an amount of \$64,587 in E&E expenses and \$20,412 as an administration fee for the interests.
- Share of loss of an associate \$514,867 (nil in Fiscal 2017) and net gain on dilution of investment in an associate \$639,796 (nil in Fiscal 2017). Kintavar is the Corporation's only associate and this investment is accounted for under the equity method.
- Gain on disposal of marketable securities: nil (\$76,115 in Fiscal 2017). Gain realised by selling the 1,500,000 shares received from Saint-Jean Carbon Inc. ("St-Jean") following the sale of the graphite Buckingham property in early Fiscal 2017.
- Deferred income taxes recovery: nil (\$98,442 in Fiscal 2017). This recovery was recognized to record the amortization, in proportion of the work completed, of the premium related to flow-through shares renunciation following the December 30, 2015 private placement.
- Income relating to discontinued operations: nil (\$1,453,707 net income in Fiscal 2017). On March 24, 2017, the Corporation sold its gold assets to Kintavar and its Buckingham graphite property to St-Jean and consequently the net loss relating to these assets was segregated from the continuing operations.

	<b>Fiscal 2018</b>	<b>Fiscal 2017</b>
	<b>\$</b>	<b>\$</b>
E&E expenses, net of tax credits – discontinued operations	-	(142,174)
Gain in disposal of E&E properties – Kintavar	-	1,524,490
Gain in disposal of E&E properties – Buckingham	-	71,391
<b>Income relating to discontinued operations</b>	<b>-</b>	<b>1,453,707</b>

The gain on disposal of mineral properties to Kintavar was determined as follows:

	<b>\$</b>
Proceeds of disposition of E&E properties	2,500,000
Unrealized gain on disposal of E&E properties	(958,710)
Transaction fees	(16,800)
<b>Gain on disposal of exploration and evaluation properties</b>	<b>1,524,490</b>

The unrealized gain will be realized as and when the Corporation will sell the shares of Kintavar.

Following the Kintavar sale of the gold mining properties to Kintavar, 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.

**Geomega Resources Inc.**  
**Management Discussion & Analysis**  
For the year ended May 31, 2018

**6. RESULTS OF OPERATIONS (CONT'D)**

**6.2 Discussion on Q4-18**

The Corporation reported a net income of \$103,407 (net income of \$1,155,404 in Q4-17). The main variations are as follow:

- Salaries, employee benefits, severance pay and share-based compensation: \$13,484 (\$44,420 in Q4-17). The CEO shares his time between the Corporation and Kintavar (the Corporation and Kintavar share the same CEO). Given the significant exploration work in Kintavar, the CEO spent much more time in Kintavar's operations.
- Exploration and evaluation expenses, net of tax credits: \$121,485 (\$85,488 in Q4-17). See exploration work analysis in section 4. Furthermore, on August 31, 2018, the Corporation received assessment notices from a tax authority for the years ended May 31, 2012 and 2013, denying certain expenses in the calculation of tax credits for resources and refundable credit on mining duties. During Q4-18, the Corporation recorded an amount of \$64,587 in E&E expenses and \$20,412 as an administration fee for the interests.
- Share of loss of an associate \$135,873 (nil in Q4-17) and net gain on dilution of investment in an associate \$452,481 (nil in Q4-17). Kintavar is the Corporation's only associate and this investment is accounted for under the equity method.
- Income relating to discontinued operations: nil (net income of \$1,524,490 in Q4-17). On March 24, 2017, the Corporation sold its gold assets to Kintavar which generated a gain in disposal of E&E properties – Kintavar of 1,524,490.

**7. SUMMARY OF RESULTS PER QUARTERS**

For the eight most recent quarters:

	<b>Q4-18</b>	<b>Q3-18</b>	<b>Q2-18</b>	<b>Q1-18</b>
	\$	\$	\$	\$
Interest expense	(3,074)	(4,713)	(7,177)	-
Net (loss) income	103,407	(263,658)	(325,281)	(299,363)
Basic and diluted (loss) gain per share	0.001	(0.003)	(0.004)	(0.004)

	<b>Q4-17</b>	<b>Q3-17</b>	<b>Q2-17</b>	<b>Q1-17</b>
	\$	\$	\$	\$
Interest expense	-	-	-	(536)
Net (loss) income	1,296,414	(309,839)	(475,011)	(341,581)
Basic and diluted (loss) gain per share	0.017	(0.004)	(0.007)	(0.004)

**8. LIQUIDITY AND CAPITAL RESOURCES**

As at May 31, 2018, the Corporation had cash of \$726,786 and \$15,519 accounts receivable. The Corporation has a working capital deficiency of \$148,048 (deficiency of \$521,205 as at May 31, 2017), of which \$500,000 relates to the liability related to share exchange rights held by the Société de développement de la Baie-James and the Administration régionale Baie-James.

**Geomega Resources Inc.**  
Management Discussion & Analysis  
For the year ended May 31, 2018

---

**8. LIQUIDITY AND CAPITAL RESOURCES (CONT'D)**

On August 11, 2017, the Corporation closed \$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. On February 20, 2018, 714,286 warrants of the Corporation were exercised at a price of \$0.09 for a cash consideration of \$64,286. On May 2 and May 14, 2018, the Corporation closed a non-brokered private placement in two tranches consisting of 6,250,000 units at a price of \$0.08 per unit for aggregate gross proceeds of \$500,000 and on May 18, 2018, the Corporation closed a non-brokered private placement consisting of 2,652,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$265,200. Each unit being comprised of one common share and one half warrant, each whole warrant entitling the holder hereof to acquire one share at a price of \$0.15 per share for 2 years.

Management considers the working capital insufficient to meet the Corporation's obligations and budgeted expenditures through May 31, 2019.

Consequently, management must secure additional funding to ensure timely activities of validation of the separation technology, exploration and evaluation of the Montviel project and to pay for general and administrative costs. General economic uncertainty remains and contributes to the volatility in the capital markets making 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 guarantee 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 Corporation. Note 1 of the audited financial statements for the year ended May 31, 2018 reflects this significant doubt as to the ability of the Corporation to ensure its continuity of operation.

**9. COMMITMENTS**

The Corporation leases an office under a lease agreement expiring in March 2019. Under this lease, the Corporation has 30 days to terminate the agreement. The Corporation's future minimum operating lease payments total \$5,438.

**10. OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

**11. RELATED PARTY TRANSACTIONS**

**11.1 Key Management Personnel Remuneration**

Key management personnel of the Corporation include the Directors, the President and Chief Executive Officer, the Chief Financial Officer, the Vice-President Exploration and the Chief Technology Officer. Key management personnel remuneration includes the following expenses:

	<b>Fiscal 2018</b>	<b>Fiscal 2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits		
Salaries, director fees and settlement	187,450	567,195
Benefits	17,947	26,847
Professional fees	34,227	98,475
Total short-term employee benefits	239,624	692,516
Share-based compensation	58,438	81,492
<b>Total remuneration</b>	<b>298,062</b>	<b>774,008</b>

**Geomega Resources Inc.**  
**Management Discussion & Analysis**  
For the year ended May 31, 2018

---

**11. RELATED PARTY TRANSACTIONS (CONT'D)**

**11.2 Transaction with related parties**

In addition to the amounts listed above in the compensation to key management (section 11.1), following are the related party transactions:

*In the normal course of operations:*

- A firm in which Sebastien Vézina, corporate secretary until October 19, 2017, is a partner charged professional fees amounting to \$9,717 (\$42,721 in Fiscal 17);
- A firm in which Kosta Kostic, a director nominated October 19, 2017, is a partner charged professional fees amounting to \$55,630 of which \$7,000 was recorded as convertible debentures issue expense, \$10,198 as share issue expense and \$38,432 as professional fees (nil in Fiscal 17);
- A company controlled by Ingrid Martin, Chief Financial Officer, charged professional fees of \$95,396 (\$53,452 in Fiscal 17) for her staff; and
- As at May 31, 2018, the balance due to the related parties amounted to \$62,198 (\$60,377 as at May 31, 2017).

*Out of the normal course of operations:*

- Directors and officers of the Corporation participated in the convertible debentures placement of August 11, 2017 for \$60,000. The directors and officers subscribed to the convertible debentures placement under the same terms and conditions set forth all subscribers;
- Settlements in share for debt for settlements with a former senior officer, with the current and previous directors and with the CFO.

**11.3 Allowance for Termination or Change of Control**

There are certain employment agreements between key management and the Corporation that contain a termination provision and a change of control provision. If the provision for termination without cause or change of control involving adverse changes to duties assigned to key management had occurred as at May 31, 2018, the amounts payable for the executive team would have totalled \$284,025 and \$717,600 respectively. In the case of termination for cause, no compensation will be paid.

**11.4 Billing according to Kintavar's agreement**

	<b>Fiscal 2018</b>	<b>Fiscal 2017</b>
	<b>\$</b>	<b>\$</b>
Salaries and employee benefits	-	41,123
Property acquisitions by staking	-	21,590
E&E expenses	7,920	287,646
E&E Rental	33,620	-
Administration expenses	122	5,741
Filing fees	6,576	-
Rent	10,500	3,531
	<b>58,738</b>	<b>359,632</b>

As at May 31, 2018, the balance receivable from Kintavar amounted to \$15,519 (\$203,613 as at May 31, 2017).

## **12. FINANCIAL INSTRUMENTS**

The Corporation is exposed to various financial risks resulting from both its activities and investments. The Corporation manages the financial risks. The Corporation does not use transactions in financial instruments, including derivative financial instruments for speculative purposes. Exposure of the Corporation to key financial risks and financial policies in this area are described in the annual financial statements of May 31, 2018 in Note 22.

## **13. OUTSTANDING DATA SHARE**

	<b>September 12, 2018</b>	<b>May 31, 2018</b>
Shares	90,072,634	90,072,634
Stock options	4,930,000	4,530,000
Warrants	11,019,416	11,019,416
	<b>106,022,050</b>	<b>105,622,050</b>

On August 28, 2018, the Corporation granted to an employee 400,000 options exercisable at \$0.085, valid for 5 years. Those options were granted at an exercise price above the market value of the shares at the time of the grant.

A total equity investment of \$250,000 was received from SDBJ and ARBJ in June 2016, whereby SDBJ and ARBJ have different exchange options. Some options may lead the Corporation to buy back SDBJ and ARBJ' shares in Innord by issuing its own shares for a value of \$500,000.

## **14. STOCK OPTION PLAN**

The purpose of the stock option plan is to serve as an incentive for the directors, officers and service providers who will be motivated by the Corporation's success as well as to promote ownership of common shares of the Corporation by these people. There is no performance indicator relating to profitability or risk attached to the plan. 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.

## **15. RISK AND UNCERTAINTIES**

An investment in the securities of the Corporation 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 Corporation and its financial position.

The following discussion reviews a number of important risks which management believes could impact the Corporation's business. There are other risks, not identified below, which currently, or may in the future, exist in the Corporation's operating environment.

### **15.1 Financial risk and going concern risk**

The Corporation is an exploration and evaluation company and has no source of income. The Corporation has to raise additional funds to continue operations. The Corporation relies upon its ability to secure significant additional financing to meet the minimum capital required to successfully complete the projects and continue as a going concern. Even if the Corporation succeeded in obtaining financing in the past, there can be no assurance that it will be able to do so in the future, that adequate funding will be available to the Corporation or that the terms of such financing will be favourable.

## **15. RISK AND UNCERTAINTIES (CONT'D)**

The Corporation may be required to delay discretionary expenditures if such additional financing cannot be obtained on reasonable terms, which could result in delay or indefinite postponement of exploration and evaluation projects and may result in a material adverse effect on the Corporation's results of operation and its financial condition.

The audited financial statements of the Corporation do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern. There is no assurance that any assumptions of management of the Corporation regarding the ability to continue as a going concern will remain accurate or that the Corporation will in fact be able to continue as a going concern. Note 1 of the audited financial statements for the year ended May 31, 2018 reflects this uncertainty.

### **15.2 Volatility risk of the financial markets**

During the last few years, the securities markets have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price will not occur. It may be anticipated that the price of the Corporation's common shares will be subject to market trends generally, notwithstanding any potential success of the Corporation in creating value in its exploration assets, and its price will be affected by such volatility.

As a result of the extreme volatility occurring in the financial markets, investors are moving away from assets they perceive as risky to those they perceive as less so. Companies like GéoMégA are considered risky assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Corporation to access the capital markets to raise the capital it will need to fund its current level of expenditures.

### **15.3 Dilution risk of common shares**

During the life of the Corporation's outstanding stock options, warrants, convertible debentures and share exchange rights, the holders are given an opportunity to profit from an increase in the market price of the common shares with a resulting dilution in the interest of shareholders. The holders may exercise such securities at a time when the Corporation may have been able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding options. The increase in the number of common shares in the market, if all or part of these outstanding options were exercised, and the possibility of sales of these additional shares may have a depressive effect on the price of the common shares.

Furthermore, the Corporation will require additional funds to fund further exploration. If the Corporation raises additional funding by issuing additional equity securities, such financing may dilute the holdings of the Corporation's shareholders.

### **15.4 Risks inherent in the nature of mineral exploration and development**

Mineral exploration and development involve several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs and the operation of mines.



## **15. RISK AND UNCERTAINTIES (CONT'D)**

The commercial viability of exploiting any metal deposit is dependent on a number of factors including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes, and royalties. No assurance can be given that minerals of sufficient quantity, quality, size and grade will be discovered on any of the Corporation's properties to justify commercial operation.

Numerous external factors influence and may have significant impacts on the operations of the Corporation and its financing needs. Furthermore, exploiting REE deposits is dependent on risk factors that are specific to the REE market, including the complexity and costliness of the REE separation process, potential difficulties in finding buyers and the potential for buyers to develop replacement technologies that use less or no REEs.

### **15.5 Mineral Resources and Reserves Estimates**

The mineral reserves and resources identified on properties are estimates only, and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of minerals will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. Accordingly, such resource estimates may require revision as more drilling or other exploration information becomes available or as actual production experience is gained. Further, it may take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a discovery may change.

Further, resources may not have demonstrated economic viability and may never be extracted by the operator of a property. It should not be assumed that any part or all of the mineral resources on properties constitute or will be converted into reserves. Market price fluctuations of the applicable commodity, as well as increased production and capital costs or reduced recovery rates, may render the proven and probable reserves on properties unprofitable to develop at a particular site or sites for periods of time or may render reserves containing relatively lower grade mineralization uneconomic.

Moreover, short-term operating factors relating to the reserves, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause reserves to be reduced or not extracted. Estimated reserves may have to be recalculated based on actual production experience.

Any of these factors may require the operators to reduce their reserves and resources, which may result in a material and adverse effect on the Corporation's future results of operation and financial condition if one or more of its projects were to go in production.

### **15.6 Titles to Property**

Although the Corporation has taken steps to verify title to the property on which it is conducting exploration and in which it is acquiring an interest in accordance with industry standards for the current stage of exploration and evaluation of such property, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements, aboriginal claims and noncompliance with regulatory requirements.

### **15.7 Permits and Licenses**

The Corporation's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

## **15. RISK AND UNCERTAINTIES (CONT'D)**

### **15.8 Environmental and Other Regulations**

Current, possible or future environmental legislation, regulations and measures may entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Corporation's activities. The requirements of the environmental regulations and standards are constantly re-evaluated and may be considerably increased, which could seriously hamper the Corporation or its ability to develop its properties economically. Before a property can enter into production, the Corporation must obtain regulatory and environmental approvals. There can be no assurance that such approvals will be obtained or that they will be obtained in a timely manner. The cost related to assessing changes in government regulations may reduce the profitability of the operation or altogether prevent a property from being developed. The Corporation maintains an environmental management system including operational plans and practices and considers that it is in material compliance with the existing environmental legislation.

### **15.9 Research and Development Goals and Progress Frames**

The Corporation sets goals for and makes public statements regarding the results of its research and development in its separation technology, and the expected timing of these results. Future results, and the timing of these results, are material to the success of the Corporation, but are uncertain and can vary due to factors such as delays or failures in the Corporation's contemplated financings, uncertainties inherent in the research and development process, reliance on key personnel and other factors. There can be no assurance that the Corporation will be able to adhere to its current schedule for achieving desired research and development results.

### **15.10 Mining Law and Governmental Regulation**

The Corporation's activities entail compliance with the applicable legislation or review processes and the obtaining of land use and all other permits, and similar authorizations of future overall mining operations are subject to the constraints contained in such legislation. The Corporation believes that it is in compliance in all material respects with such existing laws. Changing government regulations may, however, have an adverse effect on the Corporation.

Although the Corporation continues to ensure that its exploration projects receive support from concerned municipals authorities and other stakeholders, amendments to various governmental regulations might affect its exploration projects. In particular, the exploration projects of the Corporation are located in Quebec on which some are located on Eeyou Istchee James Bay territory. The creation of the Eeyou Istchee James Bay Regional Government and recent changes to the categories I, II and III lands might affect the exploration and evaluation of the Corporation's properties.

In addition, political and social debates on the distribution of mining wealth in Quebec and elsewhere may result in increased mining taxes and royalties, which could adversely affect the Corporation's business and mining operations.

### **15.11 Internal controls over financial reporting**

The Corporation is responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. However, management is not required to obtain an attestation in regards of the evaluation of internal controls and did not perform such evaluation.

The Corporation has assessed the design of the internal controls over financial reporting, and during this process the Corporation identified certain weaknesses in internal controls over financial reporting which are due to the limited number of staff at the Corporation, making it unfeasible to achieve complete segregation of incompatible duties. Corporation's management is limited in its ability to put internal controls in place at reasonable cost. This could increase risks related to quality, reliability, transparency and deadlines for interim, annual and others reports in respect with securities laws.

## **15. RISK AND UNCERTAINTIES (CONT'D)**

These weaknesses in the Corporation's internal controls over financial reporting may result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

### **15.12 Territories and First Nations claims**

Although the Corporation has the rights to explore its mining properties, it must consider the potential claims of the First Nations communities surrounding its properties. The Corporation strives to maintain good relations with the First Nations communities.

### **15.13 Taxes**

The refundable credit for resources and credit on duties refundable for losses (the "tax credits") for the current period and prior periods are measured at the amount the Corporation expects to recover from the tax authorities as at the closing date. However, uncertainties remain as to the interpretation of tax rules and the amount and timing of the recovery of such tax credits. Accordingly, there may be a significant difference between the recorded amount of tax credits receivable and the actual amount of tax credits received following the tax authorities' review of issues whose interpretation is uncertain. However, given the uncertainty inherent in obtaining the approval of the relevant tax authorities, the amount of tax credits that will actually be recovered or the amount to be repaid, as well as the timing of such recovery or repayment, could differ materially from the accounting estimates, which would affect the Corporation's financial position and cash flows. On August 31, 2018, the Corporation received assessments from a tax authority for the years ended May 31, 2012 and 2013, denying certain expenses in the calculation of tax credits.

### **15.14 Litigation**

All industries, including mining, are subject to legal claims that can be with and without merit. Defense and settlement costs can be substantial, even for claims that have no merit. Potential litigation may arise with respect to a property in which the Corporation is in the process of evaluating as a strategic investment and/or holds an interest directly or indirectly in an exploring, developing and/or operating mineral property now or in the future.

GéoMégA might not generally have any influence on the litigation nor will it necessarily have access to data. In case where that litigation results in the cessation or reduction of production from a property (whether temporary or permanent), it could have a material and adverse effect on the Corporation's results of operations and financial condition. The litigation process is inherently uncertain, so there can be no assurance that the resolution of a legal proceeding will not have a material adverse effect on our future cash flow, results of operations or financial condition.

### **15.15 Dependence on key personnel**

The development of the Corporation's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Corporation faces competition for personnel from other mining companies.

## **15. RISK AND UNCERTAINTIES (CONT'D)**

### **15.16 Conflicts of interest**

Certain directors of the Corporation are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Corporation are required by law to act honestly and in good faith to the best interests of the Corporation, and to disclose any interest which they may have in any project or opportunity of the Corporation. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

## **16. CRITICAL ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS 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 Corporation's critical accounting policies, estimates, judgments, and assumptions in the financial statements as at May 31, 2018, Notes 1, 2, 3 and 4.

### **16.1 IFRS 9, Financial instruments**

When preparing the financial statements for the three months ended August 31, 2018, the Corporation will have to adopt the requirements of IFRS 9, Financial Instruments with a date of initial application of June 1, 2017. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 eliminates the classification of financial instruments as "available-for-sale" and "held to maturity" and the requirement to bifurcate embedded derivatives with respect to hybrid financial assets. This standard incorporates a new hedging model, which increases the scope of hedged items eligible for hedge accounting, and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities, and the impact of hedge accounting on the financial statements.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in the IAS 39 for classification and measurement of financial liabilities and for the derecognition of financial assets were carried forward in IFRS 9.

Management is currently evaluating the impact of this standard on the consolidated financial statements of the Corporation. Management expects that the accounting for the financial instruments and the line item in which they are included in the statement of financial position will be unaffected by the adoption of IFRS 9.

In accordance with the transitional provision of IFRS 9, the financial assets and liabilities held on June 1, 2017 will be reclassified retrospectively without prior period restatement based on the new classification requirements taking into account the business model under which they are held at June 1, 2017 and the cash flow characteristics of the financial assets at their date of initial recognition. Management does not expect any measurement adjustments to the opening balances as at June 1, 2017.

## **17. SUBSEQUENT EVENTS**

See section 13 for details on subsequent events.

**18. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Corporation's financial statements are the responsibility of the Corporation's management. The financial statements were prepared by the Corporation'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 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.

September 12, 2018

(s) Kiril Mugerma  
Kiril Mugerma  
President and CEO

(s) Ingrid Martin  
Ingrid Martin  
CFO