

Geomega Resources Inc.

Unaudited Condensed Interim Consolidated Financial Statements

Three months ended August 31, 2021

*The attached financial statements have been prepared by management
Geomega Resources Inc. and were not reviewed by auditors*

		As at August 31, 2021	As at May 31,
	Note		2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	3,438,199	3,389,195
Accounts receivable		102,313	74,595
Tax credits and government grant receivable		111,338	98,722
Prepaid expenses and others		74,077	115,689
Inventories		11,587	11,587
Current assets		3,737,514	3,689,788
Non-current assets			
Investment in an associate	5	1,315,022	1,342,522
Property and equipment	6	39,880	27,590
Right-of-use asset	7	672,464	692,538

Non-current assets		2,027,366	2,062,650
Total assets		5,764,880	5,752,438
Liabilities			
Current liabilities			
Trade and other payables		277,531	220,018
Current portion of the lease liability	8	62,986	61,896
Total Current liabilities		340,517	281,914
Non-current liabilities			
Lease liability	8	661,730	677,891
Long-term debt	9	72,890	71,629
Non-current liabilities		734,620	749,520
Total liabilities		1,075,137	1,031,434
Equity			
Share capital		35,768,624	35,437,309
Warrants	10	170,631	197,268
Broker warrants	11	39,054	43,979
Stock options	12	718,814	688,438
Contributed surplus		4,424,649	4,424,649
Deficit		(36,432,029)	(36,070,639)
Total equity		4,689,743	4,721,004
Total liabilities and equity		5,764,880	5,752,438

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

			Three months ended August 31	
		Note	2021	2020
			\$	\$
Research fees			60,000	-
Revenues			60,000	-
Operating expenses				
Salaries, employee benefits, settlement and share-based compensation			52,431	47,820
Exploration and evaluation expenses, net of tax credits		13	141,457	99,074
Professional fees			44,919	73,551
Travel, conference and investor relations			90,335	47,420
Administration			15,687	14,435
Filing fees			16,749	5,429
Rent			18,820	12,126
Depreciation of right-of-use asset			20,074	20,074
Insurance, taxes and permits			4,292	4,198
Operating loss			(404,554)	(324,127)
Other income (expenses)				
Interest income (expenses)			4,100	100
Gain (loss) of foreign exchange			20,659	(15,834)
Finance costs			(14,095)	(13,550)
Share of loss of associate		5	(27,500)	(13,753)
Net gain (loss) on dilution of investment in an associate		5	-	(12,999)
			(16,836)	(56,036)
Net and comprehensive loss			(361,390)	(380,163)
Basic and diluted earnings per share			(0.003)	(0.004)
Weighted average number of basic and diluted shares outstanding			128,917,216	104,788,793

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

	Note	Number of shares outstanding	Capital Stock	Warrants	Broker warrants	Stock-options	Contributed Surplus	Deficit	Total equity
			\$	\$	\$	\$	\$	\$	\$
Balance at May 31, 2021		128,224,536	35,437,309	197,268	43,979	688,438	4,424,649	(36,070,639)	4,721,004
Net and comprehensive loss		-	-	-	-	-	-	(361,930)	(361,390)
Exercised stock options		800,000	131,200	-	-	(55,200)	-	-	76,000
Exercised warrants		737,875	174,229	(26,637)	-	-	-	-	147,592
Exercised broker warrants		104,800	25,886	-	(4,925)	-	-	-	20,961
Shared-based compensation		-	-	-	-	85,576	-	-	85,576
Balance at August 31, 2021		129,867,211	35,768,624		39,054	718,814	4,424,649	(36,432,029)	4,689,743

	Note	Number of shares outstanding	Capital Stock	Warrants	Broker stock options	Stock-options	Contributed Surplus	Deficit	Total equity
			\$	\$	\$	\$	\$	\$	\$
Balance at May 31, 2020		104,559,928	31,132,420	570,300	5,742	501,688	4,385,820	(34,616,876)	1,979,094

Net and comprehensive loss	-	-	-	-	-	-	(380,163)	(380,163)
Exercised stock options	100,000	12,546	-	-	(5,544)	-	-	7,002
Exercised warrants	277,778	74,841	(35,952)	-	-	-	-	38,889
Expired warrants	-	-	(38,829)	-	-	38,829	-	-
Shared-based compensation	-	-	-	-	68,980	-	-	68,980
Balance at August 31, 2020	104,937,706	31,219,805	495,519	5,742	565,124	4,424,649	(34,997,039)	1,713,802

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

		Three months ended August 31	
	Note	2021	2020
		\$	\$
Operating activities			
Net and comprehensive loss		(361,390)	(380,163)
Adjustment for:			
Share-based compensation		85,576	68,890
Depreciation of property and equipment		6,651	4,432
Depreciation of right-of-use asset		20,074	20,074
Finance costs for the accretion of long-term debt		1,261	945
Share of loss of an associate		27,500	13,753
Net loss on dilution of investment in an associate		-	12,999
Change in non-cash working capital items	14	28,791	57,984
Cash flows used in operating activities		(161,537)	(200,996)
Investing activities			
Acquisition of property and equipment		(18,941)	-
Cash flows from investing activities		(18,941)	-
Financing activities			
Exercise of warrants		147,592	38,889
Exercise of stock options		76,000	7,002
Exercise of broker stock options		20,961	-
Repayments of lease liability		(15,071)	(13,845)
Cash flows from financing activities		229,482	32,046
Net change in cash flow		49,004	(168,950)
Cash and cash equivalents - at the beginning		3,389,195	485,780
Cash and cash equivalents- at the end		3,438,199	316,830

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

• 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. Through its private and wholly owned subsidiary Innord, the Corporation is developing innovative technologies for extraction and separation of rare earth elements and other critical and strategic metals from its mining properties and other mining and industrial waste, in an environmentally sustainable way. 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 October 27, 2021.

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 three months ended August 31, 2021, the Corporation reported a net loss of \$361,390 and has accumulated a deficit of \$36,432,029 up to that date. As at August 31, 2021, the Corporation had a working capital of \$3,396,997.

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.

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, 2021, 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, 2020, except for the following conventions:

Revenue recognition

The revenue corresponds to research fees invoiced by the Innord for collaborative research work with third parties in the sector of the valuation of mining and industrial residues as well as critical and strategic metals.

Fees received are recognized in the statement of comprehensive loss as the work is performed and there is no longer any obligation for the Corporation in consideration for the amounts received.

2. Summary of significant accounting policies (CONT'D)

Income is measured at the fair value of the consideration received.

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.

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, 2021.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the two following investments:

- Short-term deposit of \$750,000 at a rate of 0.45% maturing on January 17, 2022. Interests and capital are cashable at any time without penalty.
- Investment of \$340,195 USD (\$429 308 CAD) in a high interest brokerage account at a rate of 0.20%. Interests and capital are cashable at any time.
- Investment of \$1,756,124 in a high interest brokerage account.

5. Investment in an associate

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 is the class are held directly by the Corporation. Kintavar is incorporated in Canada where are its exploration and evaluation activities are being carried out on bearing properties, and 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. Its fair value as at August 31, 2021 is \$3,118,571 (16,857,143 shares at \$0.185, being the closing price on the Exchange on August 31, 2021). The Corporation categorized the fair value measurement as Level 1, as it is derived from quoted prices in active markets. The Corporation's interest in Kintavar represents 15.91% as at August 31, 2021.

Determination of significant influence

Management determines its ability to exercise significant influence over an investment in shares of other companies by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policy-making processes, material transactions between the Corporation and the associate, interchange of managerial personnel, provision of essential technical information and operating involvement. Considering these factors, Geomega is considered to have significant influence over Kintavar.

5. Investment in an associate (CONT'D)

	Three months Ended August 31, 2021	Year ended May 31, 2021
	\$	\$
Balance at beginning of period	1,342,522	1,508,159
Share of net and comprehensive loss	(27,500)	(154,651)
Net loss on dilution of investment in an associate	-	(10,986)
Balance at end of period	1,315,022	1,342,522

6. PROPERTY AND EQUIPMENT

	Office equipment	E&E Equipment	Total
	\$	\$	\$
Fiscal 2022			
Opening net book value	-	27,590	27,590
Additions	-	18,941	18,941
Depreciation	-	(6,651)	(6,651)
Closing net book value	-	39,880	39,880
As at August 31, 2021			
Cost	14,984	262,706	277,690
Accumulated Depreciation	(14,984)	(222,826)	(237,810)
Closing net book value	-	39,880	39,880

	Office equipment	E&E Equipment	Total
	\$	\$	\$
Fiscal 2021			
Opening net book value	-	29,132	29,132
Additions	-	17,159	17,159
Depreciation	-	(18,701)	(18,701)
Closing net book value	-	27,590	27,590
As at May 31, 2021			
Cost	14,984	243,765	258,749
Accumulated depreciation	(14,984)	(216,175)	(231,159)
Closing net book value	-	27,590	27,590

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7. RIGHT-OF-USE ASSET

	Industrial building
	\$
Fiscal 2022	
Opening net book value	692,538
Depreciation	(20,074)
Closing net book value	672,464
As at August 31, 2021	
Cost	802,942
Accumulated Depreciation	(130,478)
Closing net book value	672,464

	Industrial building
	\$
Fiscal 2021	
Opening net book value	772,832
Additions	-
Depreciation	(80,294)
Closing net book value	692,538
As at May 31, 2021	
Cost	802,942
Accumulated Depreciation	(110,404)
Closing net book value	692,538

8. LEASE LIABILITY

	Three months Ended August 31, 2021	Year ended May 31, 2021
	\$	\$
Balance, opening	739,787	795,789
Repayments of lease liability	(15,071)	(56,002)
Balance	724,716	739,787
Balance, current	(62,986)	(61,896)
Balance, non-current	661,730	677,891

9. LONG-TERM DEBT

	As at August 31, 2021	As at May 31, 2021
	\$	\$
Canada Emergency Business Account ("CEBA") received in the context of the COVID-19 pandemic outbreak. The loan bears no interest and capital is payable in full on or before December 31, 2022.	72,890	71,629
Long-term debt, non-current	72,890	71,629

10. WARRANTS

Changes in the Corporation's warrants are as follows:

	Three months ended August 31, 2021	Year ended May 31, 2021		
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Opening	17,250,468	0.21	9,368,886	0.17
Issued	-	-	14,709,093	0.22
Exercised	(737,875)	0.20	(6,527,511)	0.18
Expired	-	-	(300,000)	0.15
Balance, end	16,512,593	0.21	17,250,468	0.21

The number of outstanding warrants as at August 31, 2021 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
481,250	0.15	May 2, 2022
1,156,250	0.15	May 14, 2022
576,000	0.15	May 18, 2022
14,299,093	0.22*	November 6, 2022*
16,512,593		

*Warrants issued on November 6, 2020 have an exercise price of \$0.22 for the first 24 months, after which the price is \$0.25 for the following 12 months.

11. BROKER WARRANTS

Changes in the Corporation's broker warrants are as follows:

	Three months ended August 31, 2021	Year ended May 31, 2021		
	Number of broker stock options	Weighted average exercise price	Number of broker stock options	Weighted average exercise price
		\$		\$
Balance, opening	631,344	0.22	120,800	0.20
Issued	-	-	526,544	0.22
Exercised	(104,800)	0.20	(16,000)	0.20
Balance, end	526,544	0.22	631,344	0.22

The number of outstanding brokers warrants as at August 31, 2021 are as follows:

Number of broker stock options	Exercise price	Expiry date
	\$	
526,544	0.22	November 6, 2022
526,544		

12. STOCK OPTIONS

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

	Three months ended August 31, 2021	Year ended May 31, 2021		
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Balance, beginning	9,296,250	0.17	9,248,750	0.12
Granted	-	-	2,525,000	0.26
Exercised	(800,000)	0.10	(2,271,250)	0.10
Forfeited	-	-	(206,250)	0.17
Balance, end	8,496,250	0.17	9,296,250	0.17
Balance, end exercisable	5,940,000	0.11	5,723,750	0.11

12. STOCK OPTIONS (CONT'D)

The number of options outstanding as at August 31, 2021 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
350,000	350,000	0.095	November 29, 2021
658,750	658,750	0.09	October 19, 2022
400,000	400,000	0.08	September 14, 2023
775,000	775,000	0.085	November 20, 2023
250,000	250,000	0.175	July 29, 2024
1,362,500	1,000,000	0.155	October 23, 2024
200,000	150,000	0.155	November 28, 2024
75,000	37,500	0.185	January 19, 2025
1,450,000	1,162,500	0.165	April 16, 2025

450,000	225,000	0.165	April 21, 2025
250,000	125,000	0.155	June 3, 2025
100,000	50,000	0.155	June 8, 2025
500,000	250,000	0.175	August 13, 2025
75,000	18,750	0.205	August 31, 2025
250,000	62,500	0.18	October 21, 2025
1,350,000	425,000	0.34	January 27, 2026
9,296,250	5,940,000		

13. EXPLORATION AND EVALUATION EXPENSES

			Three months ended August 31	
Montviel Property			2021	2020
			\$	\$
Acquisition and maintenance			361	-
Exploration				
Share-based compensation			4,403	5,088
Supplies and tools			654	-
Transport and lodging			-	839
Taxes, permits and insurances			-	360
Total exploration			5,057	6,287
Evaluation				
Salaries and benefits – separation process			133,826	113,807
Separation process			52,134	16,799
Depreciation of property and equipment			6,651	4,430
Engineering			37,723	-
Total Evaluation			230,334	135,036
Gross E&E expenses			235,752	141,323
Government grants			(28,972)	(38,490)
Net tax credits			(65,323)	(3,759)
Net E&E expenses - Montviel			141,457	99,074

• ADDITIONAL INFORMATION RELATING TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Change in non-cash working capital items

			Three months ended August 31	
			2021	2020
			\$	\$
Accounts receivable			3,281	22,252
Sales taxes receivable			(30,999)	(2,908)
Tax credits and government grants receivable			(12,616)	(1,250)
Prepaid expenses and other			41,612	1,429
Trade and other payables			57,513	38,461
			58,791	57,984