Geomega Resources Inc.

Management's Discussion and Analysis
Quarterly Highlights

Nine months ended February 29, 2020

The following quarterly highlights management discussion and analysis (the “MD&A Highlights”) of the financial condition and results of the operations of Geomega Resources Inc. (the “Corporation”, “Company” or “Geomega”) constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for Q3-20 YTD. This MD&A Highlights should be read in conjunction with the Corporation’s unaudited condensed interim financial statements as at February 29, 2020 prepared in accordance with the International Financial Reporting Standards (“IFRS”), as well as with the management discussion and analysis for the year ended May 31, 2019. All figures are in Canadian dollars unless otherwise noted.

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.

Abbreviation	Period
Q1-19	June 1, 2018 to August 31, 2018
Q2-19	September 1, 2018 to November 30, 2018
Q3-19	December 1, 2018 to February 28, 2019
Q3-19 YTD	June 1, 2018 to February 28, 2019
Q4-19	March 1, 2019 to May 31, 2019
Fiscal 19	June 1, 2019 to May 31, 2019
Q1-20	June 1, 2019 to August 31, 2019
Q2-20	September 1, 2019 to November 30, 2019
Q3-20	December 1, 2019 to February 29, 2020
Q3-20 YTD	June 1, 2019 to February 29, 2020
Q4-20	March 1, 2020 to May 31, 2020
Fiscal 20	June 1, 2020 to May 31, 2020

1. NATURE OF ACTIVITIES

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

As society moves from consumption of fossil fuels to more sustainable energy sources, Geomega 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 Geomega 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 Geomega that holds all the separation rights and laboratory equipment. The primary goal of Innord is to successfully scale-up its proprietary REE separation process. From now on, all research and development initiatives of Geomega are conducted by Innord.

2. CORPORATE UPDATE

2.1 Private placement

On July 2 and 10, 2019, the Corporation closed a private placement in two tranches consisting of 8,800,215 units at a price of $0.14 for total gross proceeds of $1,232,010. Each unit being comprised of one share and one half-warrant, each whole warrant entitling the holder to acquire one share at a price of $0.20 per share for 2 years.

Of the total gross proceeds of units, $162,353 was allocated to warrants and $1,069,677 to equity, based on a pro-rata allocation of the estimated fair value of each of these two components. The fair value of the warrants granted was estimated using the Black-Scholes model with no expected dividend yield, 76.6% and 76.5% expected volatality,1.49% and 1.58% risk-free interest rate for the first and second tranches respectively, and 2 years warrants expected life.

Share issuance costs totaled $37,168, of which $32,270 was allocated to equity and $4,898 to warrants.

2.2 Financial Highlights

Geomega has $609,578 of cash and cash equivalents as at February 29, 2020 and a working capital of $448,066 (negative working capital of $829,780 as at May 31, 2019). The Corporation is constantly seeking financing or business opportunities.

For Q3-20 YTD, the Corporation recorded a net loss of $1,063,261 compared to a net loss of $179,280 for Q3-19 YTD. Excluding the effects of fluctuations from the investment in an associate, a net loss of $751,401 was realized in Q3-20 YTD compared to a net loss of $629,908 in Q3-19 YTD. The main variations are as follows:

- Salaries, benefits, settlement and share-based compensation of $164,077 ($95,318 in Q3-19 YTD). The Corporation hired an internal CFO in October 2018, which explains the increase in salaries, but the decrease in professional fees, which are of $83,022 in Q3-20 YTD compared to $166,517 in Q3-19 YTD.
- Exploration and evaluation expenses, net of grants and tax credits of $376,054 ($195,382 in Q3-19 YTD). See the analysis of work on the Montviel property in Section 4.1. The level of activity was essentially the same compared to the previous year, but since the start of fiscal 2020, expenditures of $ 217,394 have been incurred on the preliminary engineering of the demonstration plant. However, 40% to 50% of the engineering expenses incurred were covered by the PME en action and IRAP programs presented in section 2.4.
- Travel, conference and investor relations of $189,191 ($28,103 during T3-19 YTD). With the increase in the level of activity and the approaching production of rare earth oxides from the demonstration plant, the Corporation has invested in order to increase its visibility in the market with several marketing agreements as well as for its participation in tradeshows. A total of $43,832 of the Q3-20 YTD expense represents stock-based compensation.
- Share of loss of an associate of $441,314 ($846,665 in Q3-19 YTD) and net gain on the dilution of investment in an associate of $129,454 ($1,297,293 in Q3-19 YTD). Kintavar is the only associate of the Corporation and this investment is accounted for using the equity method. The investment in Kintavar went from 28.76% to 22.49% during Q3-19 YTD as a result of shares issued for a total number of 17,297,007 Kintavar shares. During Q3-20 YTD, the equity interest of Geomega in Kintavar decreased from 21.77% to 18.49% following the issuance of 9,125,000 Kintavar shares and following the sale of 1,000,000 shares by Geomega, generating a gain of $29,800 in the financial statements. See section 2.4 for more details on this transaction.
- The gain on disposal of fixed assets of $111,523 in the financial statements of T3-20 YTD comes from the sale of a warehouse and rolling stock which were no longer used by the Company. See section 2.4 for more details.
- The Gain on buyback of the share exchange rights of $84,750 comes from the gain realized on the buyback of non-controlling shareholders in Innord and the related conversion right liability. This transaction has no monetary impact. See section 2.3 for more details.

2.3 Buyback of non-non controlling interests

On December 15, 2019, the Corporation repurchased the non-controlling interest in Innord and the associated liability related to share exchange rights. The total consideration for the acquisition of the shares is $371,208, payable by the issuance of a total of 2,516,664 shares of Geomega. The issue price of $0.1475 was based on the weighted average price of Geomega's common shares, calculated on the volume of common shares traded during the 30-day period prior to the December 15, 2019 closing date. Since the transaction was approved by the stock exchange on January 13, 2020, the date on which the shares were issued, the consideration paid in shares in the Corporation's books must be based on the market value of the shares on this date, which was $0.165 per share, resulting in a total consideration of $415,250 and a gain of $84,750 to the consolidated statements of earnings and comprehensive earnings.

2.4 Other Sources of financing

On May 5, 2020, the Company received a total of $105,750 for the exercise of 725,000 warrants and 50,000 options. A total of 775,000 shares were issued.

On April 22, 2020, the Corporation and its subsidiary Innord, received emergency loans of $40,000 each in connection with the COVID-19 crisis for a total of $80,000, bearing no interest until December 31, 2022 and of which 25% of the loan is non-refundable if the entire loan is repaid before this date.

On February 7, 2020, the Corporation secured the required project debt financing to build the rare earth magnet recycling demonstration plant in St-Bruno-de-Montarville, Quebec. Project financing is provided by Investissement Quebec (“IQ”), who is acting as agent of the Quebec Government, through the ESSOR program of the Ministry of Economy and Innovation of Quebec (Ministère de l'Économie et de l'Innovation du Québec - “MEI”). The debt financing is for a total of $1,720,000, based on a project evaluated at $3.2M including capital costs and working capital, is repayable over 72 months starting from 24 months following the first withdrawal of the funds and bears no interests. The proposed use of funds will be towards the purchase of equipment, engineering, and construction of the demonstration plant. This non dilutive debt financing for the Corporation has no warrants or finder’s fees attached.

On December 9, 2019, the Corporation signed, through its subsidiary Innord, an amendment to add $113,500 to the initial $350,000 grant from the IRAP program with the National Research Council Canada. This additional grant will cover up to 50% of subcontracting costs during the construction of the demonstration plant. An amount of $36,500 was also added in March 2020 for a total grant of $500,000.

On November 30, 2019, the Corporation proceeded with the sale of its rolling equipment. The sale price was $19,501 and no transaction costs were incurred for this sale. The carrying value of the assets sold was $1,900.

On September 30, 2019, the Corporation concluded a transaction with a third party for the sale of its warehouse located in Lebel-sur-Quévillon, Québec. The sale price was $175,000 and no transaction costs were incurred for this sale. The carrying value of the property was $81,078.

On August 2, 2019, the Corporation signed a financial assistance agreement with the Minister of Economy and Innovation under the “SME in Action" Program for a non-repayable grant of $19,456 to reimburse up to 40% of eligible expenses of the FEED study. This amount was revised upward on October 4, 2019 to $81,856.

On June 14, 2019, the Corporation sold 1,000,000 shares of Kintavar at a price of $0.16 per share for gross proceeds of $160,000. Transaction fees of $16,000 were incurred on this amount for a total net proceeds of $144,000. A net gain on the sale of $29,800 was recorded in the consolidated statement of earnings and comprehensive earnings.

2.5 Various

On April 20, 2020, following the global health crisis linked to COVID-19, the Corporation modified its pilot plant in Boucherville in order to be able to produce a hand sanitizer which will be mainly intended for retirement homes and hospitals with urgent need for this product. This is a temporary measure that contributes to the cause, without detracting from the engineering work which is continuing in parallel. On May 6, 2020, the Corporation announced the start of production of the hand sanitizer product.

3. OUTLOOK ON THE UPCOMING MONTHS

Validation of the separation technology through processing industrial residues was and remains Geomega'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 months include:

- Complete the engineering work in progress and start the equipment orders.
- Carry out the EPCM (Engineering, Procurement, Construction and Management) on the demonstration plan.
- Separation tests to obtain a purity of 99.9% and higher.
- Secure more supply to ensure long-term profitability of commercial plant operations.
- Secure offtake agreements with potential clients.
- Monitor the impact of COVID-19 on the market and adjust activities accordingly.
- Produce and commercialise hand sanitizer in addition to the Corporation's current activities in order to contribute to the efforts related to the current health crisis.

4. EXPLORATION AND VALIDATION OF THE SEPARATION TECHNOLOGY ACTIVITIES

4.1 Expense summary - Montviel property

	Three months ended		**Nine months ended**	
Montviel	**February 29 2020**	**February 28 2019**	**February 29 2020**	**February 28 2019**
	$	**$**	**$**	**$**
Acquisition and maintenance	**-**	**-**	**813**	**9,162**
Exploration				
Salaries and benefits	2,070	-	15,143	-
Share-based compensation	5,030	2,205	8,141	7,084
Geology	-	-	611	-
Transport and lodging	687	2,445	69,569	1,700
Depreciation of property and equipment	-	3,114	3,343	9,037
Taxes, permits and insurances	(2,081)	1,561	2,279	2,750
Billing - rental	-	(6,206)	(22,741)	(33,956)
Total exploration	**5,706**	**3,119**	**76,345**	**(13,385)**
Evaluation				
Salaries and benefits - Metallurgy and processing	100,473	76,096	259,757	223,241
Separation process	18,538	24,100	53,627	89,082
Depreciation of property and equipment	7,830	7,881	21,887	29,334
Engineering	122,934	-	217,394	-
Total Evaluation	**249,775**	**108,077**	**552,665**	**341,657**
Gross E&E expenses	**255,481**	**11,196**	**629,823**	**337,434**
Government grants	(125,546)	(50,688)	(231,018)	(117,170)
Tax Credits	(1,011)	-	(38,587)	(46,382)
	128,924	60,508	360,218	173,882
Transferred to discontinued operations	2,081	118	15,836	21,500
Net E&E expenses - Montviel	**131,005**	**60,626**	**376,054**	**195,382**

Alain Cayer, P. Geo., M.Sc., Vice-President Exploration of Geomega, a qualified person as defined in NI 43-101 supervised the preparation of the technical information in this section.

There was no surface exploration activity on the Montviel property during Q3-20 YTD (same as Q3-19 YTD). Expenses incurred in terms of salaries and accommodation in 2020 are related to the moving of equipment and drilling cores following the sale of the warehouse located in Lebel sur Quévillon. The engineering expenditure of $217,394 represents the costs incurred for the start of engineering work for the development of the demonstration plant for the recycling of permanent magnets.

4.2 ISR Technology Development

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

Innord is continuing the research and development activities for separating rare earth elements using its proprietary separation technology that does not use organic solvents (“Innord Separation of Rare Earths (ISR Technology)”). Following up on the successful developments of 2017 and 2018, the Corporation is focusing on scaling up activities by processing rare earth enriched feed that is coming from the permanent magnet industry. The products of the Corporation have been already tested and validated by potential end users for manufacturing of permanent magnets.

Geomega is currently heading towards the construction of the demonstration plant that will be using the ISR technology to recycle rare earth magnets and produce rare earth oxides. On October 1st, 2019, the Corporation announced an updated capital expenditure estimation based on the Front-End Engineering & Design (“FEED”) study. The updated design has now been scaled up to use 5,000 L reactors and operate on a single work shift of 8 to 10 hours. As a result of this sizing increase and process optimization by Geomega, the demonstration plant could reach a throughput capacity of 1.5 ton per shift, a 50% increase over the initial design. On a per hour basis, this demonstrates a 4.5X increase.

The current study also confirmed that the ISR process that was developed by Innord, a private subsidiary of Geomega, is technically feasible and uses off the shelf equipment thereby making it easier to scale up.

CAPEX*

Direct Costs	$1,783,025
Indirect Costs	$371,605
Contingency (20%)	$432,926
TOTAL	$2,587,556

* The capital costs presented in the table were confirmed via the preliminary results received from the FEED study

On January 10, 2020, the Corporation entered into a long-term lease agreement for the lease of an industrial space located in St-Bruno de Montarville, Quebec. The agreement, which will begin on February 1, 2020, is for an initial term of sixty (60) months with an option to renew for an additional sixty (60) months. The base rent is $7.50 per square foot plus the estimated operating costs of $3.75 per square foot and the area of the premises is 14,880 square feet.

On January 27, 2020, the Corporation announced the addition of Hatch Engineering to its engineering group to advance development and prepare for the construction of the rare earth magnet recycling plant.

On February 24, 2020, the Corporation signed an agreement with Jobmaster Magnets to increase the recycling of rare earth magnets in Canada and abroad, which will result in additional supplies for the Geomega plant. As part of this agreement, Geomega and Jobmaster will set up a collection and recycling program with end users and traditional recyclers to return used magnets to Geomega or Jobmaster Magnets to be recycled using Geomega technology to produce rare earth.

4.3 Preliminary Economic Assessment ("PEA")

The corporate commitment to sustainable development dictated the following operational parameters for the Montviel project: i) underground mining scenario with paste backfill, ii) reduction in reagents to be transported by road and iii) electrical operations with a 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 restatements 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 scaling up its activities and will pursue the remaining work for the PEA subsequently.

4.4 Environmental Geochemistry

There are four (4) environmental studies that are ongoing on Montviel. These are long term studies with repetitive sampling.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2019, except for the new policy described below.

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles of recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer (the "lessee") and the supplier (the "lessor"). IFRS 16 replaces IAS 17, Leases and related interpretations. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 will eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
(b) depreciation of lease assets separately from interest on lease liabilities in the statement of earnings.

The Corporation has been applying this standard since June 1, 2019, but it did not apply to any contract in effect at that time.

On January 10, 2020, the Corporation signed a new lease agreement for the lease of an industrial space that will be used for the construction of the demonstration plant for the recycling of permanent magnets.

Amounts recorded in the Consolidated Statement of Financial Position and the Consolidated Statement of Earnings and Comprehensive Earnings

The following table presents the book values of the assets under the Corporations's usage rights and the obligation linked to this lease contract as well as the variations during the period:

	Right-of-Use Asset	Obligation under finance lease
	$	$
Balance, opening	-	-
New lease contract signed during the period	1,142,660	1,142,660
Depreciation of the right-of-use asset	(14,283)	-
Accretion expense	-	9,477
Obligation under finance lease payments	-	(3,954)
Balance, end	**1,128,377**	**1,148,183**

Right-of-Use Assets

The Corporation recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Corporation is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Obligation under finance lease

At the commencement date of the lease, the Corporation recognizes an obligation under finance lease measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payments of penalties for terminating a lease, if the lease term reflects the Corporation exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Corporation uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the obligation under finance lease is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the obligation under finance lease is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Determining the lease term of contracts with renewal or termination options

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Stocks

The stocks consist of raw materials, rare earth permanent magnets that will be recycled in the demonstration plant in order to extract the rare earths oxide to be sold. Stocks are valued at the lowest of the cost and net realizable value. The cost of raw material inventory is generally determined using the average cost method.

Foreign currency transactions

Foreign currency-denominated transactions are converted into the relevant functional currency as follows: monetary assets and liabilities are converted to the current exchange rate on the date of the consolidated balance sheet, while expenses are converted at the average exchange rate for the period. Non-monetary assets and liabilities are converted to historical rates or the rate in effect on the date they were valued at fair value. If applicable, foreign exchange gains and losses resulting from the settlement of those transactions and from period-end translations are recognized in the consolidated statement of loss.

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, 2019.

6. SUBSEQUENT EVENTS

After the quarter ended February 29, 2020, the COVID-19 pandemic had a significant and negative impact on the global financial market as well as on commercial and industrial activities. The Corporation continues to monitor and assess the impact on its activities. The potential impact is uncertain, and it is difficult to reliably measure the extent of the effect of the COVID-19 pandemic on future financial results. However, the Corporation was able to continue most of the work in progress, including engineering work for the development of the rare earth recycling demonstration plant.

On April 22, 2020, the Corporation and its subsidiary Innord, received emergency loans of $40,000 each in connection with the COVID-19 crisis for a total of $80,000, bearing no interest until December 31, 2022 and of which 25% of the loan is non-refundable if the entire loan is repaid before this date.

On April 17, 2020, the Corporation's directors waived their accumulated compensation of $105,000 recorded as a liability in the consolidated statement of financial position of the Corporation. On the same day, the Corporation granted the directors a total of 1,125,000 stock options, at a price of $0.165 valid for 5 years and fully vested on the award date. These options were granted at a value equal to the market price the day before the grant.

On April 17, 2020, the Corporation granted employees and consultants 650,000 stock options at a price of $0.165 valid for 5 years and vesting at a rate of 25% per period of six-months. These options were granted at an exercise price equal to the market price the day before the grant.

On April 15, 2020, the 1,302,778 warrants with an initial exercise price of $0.23 maturing on June 19, 2020 were revalued at a new exercise price of $0.14, with the expiry date remaining unchanged. On the same day, the 825,000 warrants expiring on May 2, 2020 and the 2,300,000 warrants expiring on May 14, 2020, all at an exercise price of $0.15, were extended for two years until May 2, 2022 and May 14, 2022, respectively.

May 11, 2020

(s) Kiril Mugerman
Kiril Mugerman
President and CEO

(s) Mathieu Bourdeau
Mathieu Bourdeau
CFO

Management

Kiril Mugerman, President & CEO
Alain Cayer, VP Exploration
Mathieu Bourdeau, CFO
Pouya Hajiani, CTO

Board of directors

Gilles Gingras, President of the Audit Committee [1)]
Kosta Kostic[1)]
Mario Spino [1)]
Jean Demers
Kiril Mugerman

Notes:
1) Member of the Audit Committee

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