# LEADING EDGE MATERIALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
OCTOBER 31, 2020 AND 2019

*(Expressed in Canadian Dollars)*

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# Independent Auditor's Report

To the Shareholders of Leading Edge Materials Corp.

**Opinion**

We have audited the consolidated financial statements of Leading Edge Materials Corp. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2020 and October 31, 2019, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and October 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Cummings.

***"D&H Group LLP"***

Vancouver, B.C.
January 27, 2021

**Chartered Professional Accountants**

## LEADING EDGE MATERIALS CORP.
### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
*(Expressed in Canadian Dollars)*

| | Note | October 31, 2020 $ | October 31, 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | 3,361,424 | 395,609 |
| GST/VAT receivables | | 43,895 | 50,166 |
| Amounts receivable | | - | 282 |
| Prepaid expenses and other | | 129,918 | 99,409 |
| Inventory | | 92,452 | 83,772 |
| Plant stores and supplies | | 100,015 | 86,472 |
| **Total current assets** | | 3,727,704 | 715,710 |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 4 | 16,332,855 | 16,226,721 |
| Property, plant and equipment | 5 | 7,049,001 | 7,784,936 |
| Reclamation deposits | 6 | 108,492 | 97,740 |
| **Total non-current assets** | | 23,490,348 | 24,109,397 |
| **TOTAL ASSETS** | | 27,218,052 | 24,825,107 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 450,694 | 583,159 |
| **Non-current liabilities** | | | |
| Provision for site restoration | 6 | 6,458,606 | 7,165,140 |
| Property acquisition obligation | 5 | 595,268 | 536,184 |
| **Total non-current liabilities** | | 7,053,874 | 7,701,324 |
| **TOTAL LIABILITIES** | | 7,504,568 | 8,284,483 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 7 | 53,419,350 | 48,874,669 |
| Share-based payments reserve | 7(d) | 6,187,686 | 5,837,686 |
| Deficit | | (39,893,552) | (38,171,731) |
| **TOTAL SHAREHOLDERS' EQUITY** | | 19,713,484 | 16,540,624 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | 27,218,052 | 24,825,107 |

**Nature of Operations** - Note 1

**Events after the Reporting Period** - Note 13

These consolidated financial statements were approved for issue by the Board of Directors on January 27, 2021 and are signed on its behalf by:

/s/ ***Eric Krafft***
Eric Krafft
Director

/s/ ***Daniel Major***
Daniel Major
Director

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

# LEADING EDGE MATERIALS CORP.
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
*(Expressed in Canadian Dollars)*

| | Note | Year Ended October 31, 2020 $ | 2019 $ |
|---|---|---|---|
| **Expenses** | | | |
| Accounting and administration | 8(b) | 94,487 | 92,421 |
| Accretion of provision for site restoration | 6 | 7,768 | 50,632 |
| Audit | | 49,250 | 52,217 |
| Bank charges | | 4,488 | 6,402 |
| Consulting | | 67,510 | 118,406 |
| Corporate development | | 20,499 | 162,264 |
| Depreciation | 5 | 24,224 | 32,696 |
| Directors and officers compensation | 8(a) | 324,473 | 483,998 |
| Environmental | | 49,027 | 25,218 |
| Equipment rentals and related | | 2,360 | 3,368 |
| Fuel, electricity and utilities | | 73,655 | 67,533 |
| General exploration | | 35,175 | 95,171 |
| Insurance | | 18,410 | 23,510 |
| Investment conferences | | 9,274 | 7,703 |
| Legal | | 57,607 | 18,450 |
| Office and other | | 36,903 | 79,946 |
| Plant maintenance | | 44,205 | 42,158 |
| Plant supplies and consumables | | 29,522 | 13,104 |
| Regulatory | | 119,020 | 136,476 |
| Rent | | 13,620 | 4,020 |
| Research and development | | 123,976 | 108,599 |
| Salaries, compensation and benefits | | 348,154 | 389,548 |
| Share-based compensation | 7(d) | 350,000 | 239,773 |
| Shareholder costs | | 48,540 | 51,835 |
| Transfer agent | | 41,249 | 30,913 |
| Travel | | 23,658 | 57,137 |
| | | 2,017,054 | 2,393,498 |
| **Loss before other items** | | (2,017,054) | (2,393,498) |
| **Other items** | | | |
| Interest and other income | | 79,767 | 57,149 |
| Foreign exchange | | (71,507) | 18,942 |
| Reversal of accrued obligation | | 274,329 | - |
| Gain on disposition of capital assets | | 12,644 | - |
| Impairment of property, plant and equipment | 5 | - | (8,800,000) |
| | | 295,233 | (8,723,909) |
| **Net loss and comprehensive loss** | | (1,721,821) | (11,117,407) |
| **Loss per share - basic and diluted** | | $(0.01) | $(0.12) |
| **Weighted average number of common shares outstanding - basic and diluted** | | 118,521,090 | 95,187,843 |

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

*(Expressed in Canadian Dollars)*

| | Year Ended October 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Share Capital | | | | |
| | Number of Shares | Amount $ | Share-Based Payments Reserve $ | Deficit $ | Total Equity $ |
| **Balance at October 31, 2019** | 95,667,391 | 48,874,669 | 5,837,686 | (38,171,731) | 16,540,624 |
| Common shares issued for cash: | | | | | |
| - private placements | 50,000,000 | 4,528,000 | - | - | 4,528,000 |
| - warrants exercised | 800,000 | 80,000 | - | - | 80,000 |
| Share issue costs | - | (63,319) | - | - | (63,319) |
| Share-based compensation | - | - | 350,000 | - | 350,000 |
| Net loss for the year | - | - | - | (1,721,821) | (1,721,821) |
| **Balance at October 31, 2020** | 146,467,391 | 53,419,350 | 6,187,686 | (39,893,552) | 19,713,484 |

| | Year Ended October 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Share Capital | | | | | |
| | Number of Shares | Amount $ | Share Subscriptions Received $ | Share-Based Payments Reserve $ | Deficit $ | Total Equity $ |
| **Balance at October 31, 2018** | 89,489,536 | 47,186,389 | 410,000 | 5,611,413 | (27,054,324) | 26,153,478 |
| Common shares issued for cash: | | | | | | |
| - private placement | 6,027,855 | 1,687,799 | (410,000) | - | - | 1,277,799 |
| - share options exercised | 150,000 | 24,000 | - | - | - | 24,000 |
| Share issue costs | - | (37,019) | - | - | - | (37,019) |
| Transfer on exercise of share options | - | 13,500 | - | (13,500) | - | - |
| Share-based compensation | - | - | - | 239,773 | - | 239,773 |
| Net loss for the year | - | - | - | - | (11,117,407) | (11,117,407) |
| **Balance at October 31, 2019** | 95,667,391 | 48,874,669 | - | 5,837,686 | (38,171,731) | 16,540,624 |

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

## LEADING EDGE MATERIALS CORP.
### CONSOLIDATED STATEMENTS OF CASH FLOWS
*(Expressed in Canadian Dollars)*

| | Year Ended October 31, | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| **Operating activities** | | |
| Net loss for the year | (1,721,821) | (11,117,407) |
| Adjustments for: | | |
| Accretion of provision for site restoration | 7,768 | 50,632 |
| Depreciation | 24,224 | 32,696 |
| Foreign exchange | 29,466 | (27,493) |
| Share-based compensation | 350,000 | 239,773 |
| Reversal of accrued obligation | (274,329) | - |
| Gain on disposal of property, plant and equipment | (12,644) | - |
| Impairment of property, plant and equipment | - | 8,800,000 |
| Changes in non-cash working capital items: | | |
| Amounts receivable | 282 | 376 |
| GST/VAT receivables | 6,271 | 6,282 |
| Prepaid expenses and deposit | (30,509) | 51,403 |
| Inventory | 534 | - |
| Plant stores and supplies | (3,891) | 7,346 |
| Accounts payable and accrued liabilities | 115,047 | (32,597) |
| **Net cash used in operating activities** | (1,509,602) | (1,988,989) |
| **Investing activities** | | |
| Expenditures on exploration and evaluation assets | (79,317) | (64,482) |
| Additions to property, plant and equipment | (2,591) | (4,917) |
| Proceeds on disposal of property, plant and equipment | 12,644 | - |
| **Net cash used in investing activities** | (69,264) | (69,399) |
| **Financing activities** | | |
| Issuance of common shares | 4,608,000 | 1,301,799 |
| Share issue costs | (63,319) | (32,222) |
| **Net cash provided by financing activities** | 4,544,681 | 1,269,577 |
| **Net change in cash** | 2,965,815 | (788,811) |
| **Cash at beginning of year** | 395,609 | 1,184,420 |
| **Cash at end of year** | 3,361,424 | 395,609 |

**Supplemental cash flow information** - See Note 11

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

## 1. Nature of Operations and Going Concern

The Company is a Canadian public company focused on developing a portfolio of critical raw material projects located in the European Union. The portfolio of projects includes the 100% owned Woxna Graphite mine (Sweden), Norra Kärr HREE project (Sweden), Bergby lithium project (Sweden) and the 51% owned Bihor Sud Nickel Cobalt exploration alliance (Romania). The Company's common shares trade on the TSX Venture Exchange (the "TSXV") under the symbol "LEM", on the OTCQB under the symbol "LEMIF" and on NASDAQ First North under the symbol "LEMSE". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

During fiscal 2020 the Company recorded a net loss of $1,721,821 and, as at October 31, 2020, the Company had an accumulated deficit of $39,893,552 and working capital of $3,277,010. For the Woxna Graphite Mine the Company maintains ongoing research and development to produce higher specialty products such as high purity graphite for battery and other specialty end uses. The Company is maintaining its Woxna Graphite Mine on a "production-ready" basis to minimize costs whilst such development work is ongoing. For the Norra Kärr HREE project the Company's main focus is progressing the ongoing mining lease application process. For the Bergby lithium project the Company is doing minor test work as part of EU funded research programs whilst evaluation appropriate exploration strategies for the deposit. Finally, for the Bihor Sud exploration alliance the Company is awaiting the conclusion of the current legal proceedings to which the Company is not a party and subsequent adjudication of its lodged exploration license application. The Company anticipates that it has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months, however, it will need additional capital to recommence operations at the Woxna Graphite Mine and/or modernize the plant to produce value added production, to fund future development of the Norra Kärr Property and complete the tendering process and, if successful, exploration activities in Romania. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations.

On March 11, 2020 the World Health Organization ("WHO") declared the novel coronavirus outbreak identified as "COVID-19", as a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. The Company has implemented safety and physical distancing procedures, including working from home where possible and ceased all travel. The Company will continue to monitor the impact of the COVID-19 outbreak, the duration and impact which is unknown at this time, as is the efficacy of any intervention. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") appropriate for a going concern. The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the consolidated financial statements. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

***Statement of Compliance***

These consolidated financial statements are audited and have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

## 2. Basis of Preparation

***Basis of Measurement***

The Company's consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

***Details of the Group***

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all entities over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

The subsidiaries of the Company are as follows:

| Company | Location of Incorporation | Ownership Interest |
|---|---|---|
| Flinders Holdings Limited ("Flinders Holdings") | British Columbia | 100% |
| Woxna Graphite AB ("Woxna") | Sweden | 100% |
| Tasman Metals Ltd. | British Columbia | 100% |
| Tasman Metals AB | Sweden | 100% |
| Acp Akku Oy | Finland | 100% |
| LEM Resources SRL ("LEM Romania") | Romania | 51% |

## 3. Significant Accounting Policies

***Critical Judgments and Sources of Estimation Uncertainty***

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical Judgments*

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

**3. Significant Accounting Policies** (continued)

(iii) Management is required to assess impairment of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans toward finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to be impaired in future periods.

In fiscal 2020 and 2019 management determined that there were no impairment indicators and no impairment charge was required.

(iv) Management is required to assess impairment in respect of property, plant and equipment. The triggering events are defined in IAS 36. In making the assessment, management is required to make judgments on the status of the project and the future plans toward finding commercial reserves to which the property, plant and equipment relate to.

In fiscal 2020 management determined that there were no impairment indicators and no impairment charge was required. In fiscal 2019 management determined that impairment indicators were present, as defined in lAS 36, for property, plant and equipment and, as a result an impairment test was performed. See Note 5.

(v) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(vi) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 9.

*Estimation Uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Depreciation and depletion expenses are allocated based on assumed asset lives and depletion/depreciation rates. Should the asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of operations.

(ii) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

(iii) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

**3. Significant Accounting Policies** (continued)

***Cash and Cash Equivalents***

Cash includes cash in bank and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. At October 31, 2020 and 2019 the Company did not have any cash equivalents.

***Amounts Receivable***

Receivables are recognized initially at fair value and classified as amortized cost. Receivables are subsequently measured at amortized cost using the effective interest method, less expected credit losses. At each reporting date, the Company records a credit losses at an amount equal to the lifetime expected credit losses using a present value and probability-weighted model.

***Inventory***

Processed graphite inventory is valued at the lower of cost and net realizable value. Cost is determined as the average production cost of saleable graphite and net realizable value is determined as the calculated selling price less selling costs.

***Plant Stores and Supplies***

Plant stores and supplies are valued at the lower of cost and replacement cost.

***Accounts Payable and Accrued Liabilities***

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as amortized cost initially at fair value and are subsequently measured at amortized cost using the effective interest method.

***Exploration and Evaluation Assets***

The Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mineral property acquisition and development costs, a component of property, plant and equipment.

**3. Significant Accounting Policies** (continued)

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations.

***Property, Plant and Equipment***

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the condensed consolidated statement of comprehensive loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized. Property, plant and equipment are depreciated annually on a straight-line basis or on a unit of production basis over the estimated useful life of the assets commencing when the related asset is available for use as follows:

| | |
|---|---|
| Vehicles | 20% |
| Equipment and tools | 20% |
| Building | 5% to 10% |
| Manufacturing and processing facility | 20% or on a unit of production basis |
| Mineral property acquisition and development costs | Unit of production basis |

Depreciation of assets commence when the plant and equipment are available for use and in the condition necessary for them to be operating in the manner intended by management.

***Impairment of Assets***

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**3. Significant Accounting Policies** (continued)

***Provision for Site Restoration***

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current risk free discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

***Financial Instruments***

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at FVTPL; (ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

***Share Capital***

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

***Equity Financing***

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

**3. Significant Accounting Policies** (continued)

***Share-Based Payment Transactions***

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. Expected volatility is based on available historical volume of the Company's share price. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

***Current and Deferred Income Taxes***

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the income tax is also recognized in other comprehensive income or directly in equity, respectively.

*Current Income Tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*Deferred Income Tax*

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**3. Significant Accounting Policies** (continued)

***Loss per Share***

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share.

***Foreign Currency Translation***

*Functional and Presentation Currency*

The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

*Foreign Currency Transactions*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

***Adoption of New Accounting Standards***

Effective November 1, 2019 the Company adopted IFRS 16 - *Leases* ("IFRS 16"), which replaces IAS 17 - *Leases* ("IAS 17") and its associated interpretative guidance. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and" disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less ("Short-term Leases") or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

There was no impact on the Company's consolidated financial statements upon the adoption of this new standard.

***Accounting Standards and Interpretations Issued but Not Yet Effective***

(i) *Definition of a Business* (Amendments to IFRS 3)

The IASB has issued *Definition of a Business* (Amendments to IFRS 3) to clarify the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a business;
- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs;
- narrow the definition of a business and the definition of outputs; and

*(Expressed in Canadian Dollars)*

**3. Significant Accounting Policies** (continued)

- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

This amendment is effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. The Company does not anticipate that the adoption of this standard will impact the Company's financial statements.

(ii) *Classification of Liabilities as Current or Non-Current* (Amendments to IAS 1)

The IASB has published *Classification of Liabilities as Current or Non-Current* (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined. There is currently a proposal outstanding that would defer the effective date until January 1, 2023.

**4. Exploration and Evaluation Assets**

| | As at October 31, 2020 | | | As at October 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Acquisition Costs $ | Deferred Exploration Costs $ | Total $ | Acquisition Costs $ | Deferred Exploration Costs $ | Total $ |
| Graphite Concessions | 10,081 | 4,706 | 14,787 | 10,081 | 4,706 | 14,787 |
| Norra Kärr | 15,402,622 | 489,895 | 15,892,517 | 15,402,622 | 396,043 | 15,798,665 |
| Bergby | 66,579 | 358,972 | 425,551 | 54,733 | 358,536 | 413,269 |
| | 15,479,282 | 853,573 | 16,332,855 | 15,467,436 | 759,285 | 16,226,721 |

*(Expressed in Canadian Dollars)*

**4. Exploration and Evaluation Assets** (continued)

| | Graphite Concessions $ | Norra Kärr $ | Bergby $ | Total $ |
|---|---|---|---|---|
| **Balance at October 31, 2018** | 18,803 | 15,736,406 | 407,030 | 16,162,239 |
| **Exploration costs** | | | | |
| Geological | - | 23,258 | 1,297 | 24,555 |
| Permitting | - | 29,564 | - | 29,564 |
| | - | 52,822 | 1,297 | 54,119 |
| **Acquisition costs** | | | | |
| Mining rights | 1,972 | 9,437 | 4,942 | 16,351 |
| Recovery | (5,988) | - | - | (5,988) |
| | (4,016) | 9,437 | 4,942 | 10,363 |
| **Balance at October 31, 2019** | 14,787 | 15,798,665 | 413,269 | 16,226,721 |
| **Exploration costs** | | | | |
| Geological | - | 6,102 | 436 | 6,538 |
| Permitting | - | 10,339 | - | 10,339 |
| Preliminary economic assessment | - | 77,411 | - | 77,411 |
| | - | 93,852 | 436 | 94,288 |
| **Acquisition costs** | | | | |
| Mining rights | - | - | 11,846 | 11,846 |
| **Balance at October 31, 2020** | 14,787 | 15,892,517 | 425,551 | 16,332,855 |

(a) *Graphite Concessions*

Through Woxna, the Company holds a 100% interest in the Woxna Graphite Mine, comprising four concessions, known as Kringelgruven, Mattsmyra, Gropabo and Mansberg. The Woxna Graphite Mine is located in Ovanaker Municipality, Gavleborg County, central Sweden.

In 1993 Woxna entered into agreements under which it acquired:

(i) the Kringelgruven concession for an initial payment of SEK 150,000 and a further payment of SEK 4,000,000 (the "Property Acquisition Obligation"); and
(ii) the Mattsmyra, Gropabo and Mansberg concessions (the "Graphite Concessions") for an initial payment of SEK 32,500 and a further payment of SEK 1,000,000 on each of the three concessions (the "Additional Consideration").

Payment of the Property Acquisition Obligation and the Additional Consideration is to be made to a Swedish governmental agency and will be based on annual production, at a rate of SEK 20 per metric ton processed, and is payable only once accumulated profits have been generated from the individual concessions. No production has commenced on the Mattsmyra, Gropabo and Mansberg concessions and the additional payments are considered to be contingent amounts and will only be recognized as obligations when production commences on these concessions.

During fiscal 2014 the technical feasibility and commercial viability of the Kringelgruven concession and the Woxna Graphite Mine was demonstrated, transitioning the Kringelgruven concession to the development stage of mining. Accordingly the costs of the exploration and evaluation assets attributed to the Kringelgruven concession and the Woxna Graphite Mine were reclassified to property, plant and equipment. See also Note 5.

**4. Exploration and Evaluation Assets** (continued)

(b) *Norra Kärr*

The Norra Kärr Property consists of an exploration license, valid until August 31, 2025, and a mining lease re-application, located in south-central Sweden. The exploration license and the mining lease application have been subject to ongoing legal opposition and appeals. In June 2020 the Company received confirmation from the Mining Inspectorate of Sweden that the exploration license was extended to August 31, 2025. The extension decision is under appeal. The Company believes that it will continue to be successful in defending its tenure over the Norra Kärr Property.

(c) *Bergby*

The Bergby Project consists of three exploration permits, Bergby 1, 2 and 3, located in central Sweden. Bergby 1 expires June 16, 2022 and Bergby 2 and 3 expire December 7, 2022. See also Note 13(a).

(d) *Romania Permit Applications*

In fiscal 2017 the Company and REMAT Group Management SRL ("REMAT") agreed to pursue the investigation and initiate a prospecting permit application over the Bihor area of Romania. REMAT proceeded to incorporate LEM Resources SRL ("LEM Romania") in fiscal 2017. LEM Romania successfully applied for a non-exclusive prospecting permit (the "Permit") over 25.5 square kilometres in the Bihor area. On August 9, 2018 the Company and REMAT completed a share purchase agreement (the "Share Purchase Agreement") and executed a shareholders' joint venture agreement whereby the Company acquired an initial 51% ownership interest (the "Initial Interest") in LEM Romania, by issuing 367,006 common shares of the Company at a fair value of $165,152. As LEM Romania had no assets or liabilities at the time of acquisition of the initial interest, the Company has recorded the initial consideration as general exploration expenses. The permitting process for an exclusive exploration license for the area is ongoing and only once such exclusive license is obtained will costs be capitalized. Until such time all costs will be expensed.

The Company can acquire an additional 39% interest in LEM Romania (for an aggregate 90% interest) by issuing up to an additional 2,202,036 common shares, as follows:

(i) 550,509 common shares following the granting of an exploration license;
(ii) 734,012 common shares on completion of a National Instrument 43-101 compliant resource estimate (the "Resource Estimate"); and
(iii) 917,515 common shares on completion of a feasibility study.

The Company was required to fund all exploration expenditures and was required to incur a minimum of EUR 150,000 on exploration expenditures by April 26, 2020, which has been met.

The Company is also required to issue up to 8,074,136 common shares (the "Bonus Shares"), which will be based on certain historic resource estimates and the Resource Estimate.

A finder's fee of 5% (the "Finder's Fee") will be paid in stages, concurrently with the issuance of common shares under the Share Purchase Agreement. On August 9, 2018 the Company issued 18,350 common shares, at a fair value of $8,258 for the initial Finder's Fee. The initial Finder's Fee consideration was also recorded as general exploration expenses.

*(Expressed in Canadian Dollars)*

## 5. Property, Plant and Equipment

| **Cost**: | **Vehicles** $ | **Equipment and Tools** $ | **Building** $ | **Manufacturing and Processing Facility** $ | **Mineral Property Acquisition and Development Costs** $ | **Total** $ |
|---|---|---|---|---|---|---|
| Balance at October 31, 2018 | 81,147 | 287,018 | 344,139 | 7,567,878 | 9,444,414 | 17,724,596 |
| Addition | - | - | - | - | 4,917 | 4,917 |
| Adjustment to site restoration | - | - | - | - | (613,692) | (613,692) |
| Balance at October 31, 2019 | 81,147 | 287,018 | 344,139 | 7,567,878 | 8,835,639 | 17,115,821 |
| Addition | - | - | - | - | 2,591 | 2,591 |
| Adjustment to site restoration | - | - | - | - | (714,302) | (714,302) |
| Disposal | (65,053) | - | - | - | - | (65,053) |
| Balance at October 31, 2020 | 16,094 | 287,018 | 344,139 | 7,567,878 | 8,123,928 | 16,339,057 |
| **Accumulated Depreciation and Impairment:** | | | | | | |
| Balance at October 31, 2018 | (60,171) | (256,303) | (71,497) | (110,218) | - | (498,189) |
| Depreciation | (6,718) | (3,969) | (22,009) | - | - | (32,696) |
| Impairment | - | - | - | (3,800,000) | (5,000,000) | (8,800,000) |
| Balance at October 31, 2019 | (66,889) | (260,272) | (93,506) | (3,910,218) | (5,000,000) | (9,330,885) |
| Depreciation | (770) | (1,445) | (22,009) | - | - | (24,224) |
| Disposal | 65,053 | - | - | - | - | 65,053 |
| Balance at October 31, 2020 | (2,606) | (261,717) | (115,515) | (3,910,218) | (5,000,000) | (9,290,056) |
| **Carrying Value**: | | | | | | |
| Balance at October 31, 2019 | 14,258 | 26,746 | 250,633 | 3,657,660 | 3,835,639 | 7,784,936 |
| Balance at October 31, 2020 | 13,488 | 25,301 | 228,624 | 3,657,660 | 3,123,928 | 7,049,001 |

During fiscal 2014 technical feasibility and commercial viability of the extraction of mineral resources at the Woxna Graphite Mine was demonstrated, transitioning the Company to the development stage of mining. Upon the transition, costs on the exploration and evaluation assets attributed to the mine were reclassified to property, plant and equipment. On August 1, 2015 the refurbishment and commissioning of the Woxna Graphite Mine was completed.

During fiscal 2019 management assessed whether there were any indications of impairment of the Company's property, plant and equipment as required by IAS 36. In light of the continued suspension of the operations of the Woxna Graphite Mine, large net loss and the low trading value of the Company's common shares, management concluded there were indications of impairment.

When indications of impairment are determined to be present, IAS 36 requires the Company to estimate the recoverable amount of the Company's property, plant and equipment. The Company does not have sufficient verifiable information to prepare adequately detailed and meaningful calculations of fair value less costs of disposal or value in use. Therefore, the Company applied a value in use method that takes into account the Company's financial position and results of operations and operational issues among other factors in determining an estimated recoverable amount. This method indicated that an impairment provision of $8,800,000 was appropriate in fiscal 2019.

As at October 31, 2020 the Company has recognized $595,268 (2019 - $536,184) for the Property Acquisition Obligation associated with the Kringelgruven concession, as described in Note 4(a)(i).

*(Expressed in Canadian Dollars)*

## 6. Provision for Site Restoration

Although the ultimate amount of the decommissioning obligation for the Kringelgruven concession is uncertain, the fair value of this obligation is based on information currently available. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs. The provision for site restoration may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. The total undiscounted amount of estimated cash flows to settle the Company's risk adjusted estimated obligation is SEK 40,754,000 and is expected to be incurred in 2041.

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk free rate of 0% (2019 - 0%) and an inflation factor of 0.3% (2019 - 1.5%). Settlement of the obligation is expected to be funded from general corporate funds at the time of decommissioning. Changes to the decommissioning obligation were as follows:

| | $ |
|---|---|
| **Balance at October 31, 2018** | 7,728,200 |
| Accretion | 50,632 |
| Revision of estimates | (54,637) |
| Foreign exchange adjustment | (559,055) |
| **Balance at October 31, 2019** | 7,165,140 |
| Accretion | 7,768 |
| Revision of estimates | (1,450,913) |
| Foreign exchange adjustment | 736,611 |
| **Balance at October 31, 2020** | 6,458,606 |

As at October 31, 2020 reclamation deposits totalling $108,492 ( 2019 - $97,740) have been paid. The reclamation deposits were placed as security for site restoration on the Kringelgruven concession and on certain exploration and evaluation assets.

As at October 31, 2020 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

## 7. Share Capital

(a) ***Authorized Share Capital***

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

*Fiscal 2020*

(i) On December 30, 2019 the Company completed a private placement financing of 18,000,000 units at a price of $0.056 per unit for gross proceeds of $1,008,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share, an exercise price of $0.10 per share, expiring December 30, 2023. A significant minority shareholder of the Company acquired 13,000,000 units of the private placement.

*(Expressed in Canadian Dollars)*

**7. Share Capital** (continued)

(ii) On August 7, 2020 the Company completed a non-brokered private placement and issued 32,000,000 units at a price of $0.11 per unit for gross proceeds of $3,520,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share of the Company at an exercise price of $0.20 per share, expiring on August 7, 2024. Directors and officers of the Company acquired a total of 27,770,000 units of the private placement.

The Company incurred a total of $63,319 legal and filing costs associated with these private placements.

*Fiscal 2019*

On November 21, 2018 the Company completed a private placement financing of 6,027,855 units at a price of $0.28 per unit for gross proceeds of $1,687,799. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share at an exercise price of $0.37 per share, expiring November 21, 2021. The Company paid finders' fees of $6,384 cash.

The Company incurred $30,635 legal and filing costs associated with this private placement.

(c) ***Warrants***

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at October 31, 2020 and 2019 and the changes for the years ended on those dates is as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number | Weighted Average Exercise Price $ | Number | Weighted Average Exercise Price $ |
| Balance beginning of year | 13,764,595 | 0.58 | 7,736,740 | 0.75 |
| Issued | 50,000,000 | 0.16 | 6,027,855 | 0.37 |
| Exercised | (800,000) | 0.10 | - | - |
| Expired | (7,736,740) | 0.75 | - | - |
| Balance end of year | 55,227,855 | 0.19 | 13,764,595 | 0.58 |

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at October 31, 2020:

| Number | Exercise Price $ | Expiry Date |
|---|---|---|
| 6,027,855 | 0.37 | November 21, 2021 |
| 17,200,000 | 0.10 | December 30, 2023 |
| 32,000,000 | 0.20 | August 7, 2024 |
| 55,227,855 | | |

(d) ***Share Option Plan***

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day

*(Expressed in Canadian Dollars)*

**7. Share Capital** (continued)

before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of up to ten years.

During fiscal 2020 the Company granted share options to purchase 3,500,000 (2019 - 2,543,109) common shares and recorded compensation expense of $350,000 (2019 - $239,773).

The fair value of share options granted during fiscal 2020 and 2019 was estimated using the Black-Scholes option pricing model using the following assumptions:

| | 2020 | 2019 |
|---|---|---|
| Risk-free interest rate | 0.28% | 1.47% - 1.89% |
| Estimated volatility | 102% | 84% - 161% |
| Expected life | 3 years | 1 year - 5 years |
| Expected dividend yield | 0% | 0% |
| Estimated forfeiture rate | 0% | 0% |

The weighted average grant date fair value of all share options granted, using the Black-Scholes option pricing model, during fiscal 2020 was $0.10 (2019 - $ 0.09) per share option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at October 31, 2020 and 2019 and the changes for the years ended on those dates is as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of Options Outstanding | Weighted Average Exercise Price $ | Number of Options Outstanding | Weighted Average Exercise Price $ |
| Balance beginning of year | 7,163,109 | 0.44 | 8,575,000 | 0.47 |
| Issued | 3,500,000 | 0.155 | 2,543,109 | 0.20 |
| Exercised | - | - | (150,000) | 0.16 |
| Expired | (655,000) | 0.49 | (2,165,000) | 0.38 |
| Forfeited | - | - | (1,640,000) | 0.33 |
| Balance end of year | 10,008,109 | 0.34 | 7,163,109 | 0.44 |

The following table summarizes information about the share options outstanding and exercisable at October 31, 2020:

| Number | Exercise Price $ | Expiry Date |
|---|---|---|
| 3,465,000 | 0.39 | October 14, 2021 |
| 143,109 | 0.165 | January 11, 2022 |
| 850,000 | 0.225 | May 30, 2022 |
| 1,900,000 | 0.64 | November 2, 2022 |
| 3,500,000 | 0.155 | August 11, 2023 |
| 150,000 | 0.33 | August 14, 2023 |
| 10,008,109 | | |

See also Note 13(b).

*(Expressed in Canadian Dollars)*

## 8. Related Party Disclosures

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and its executive officers.

(a) During fiscal 2020 and 2019 the following compensation was incurred:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Directors and officers compensation (current and former) | 324,473 | 483,998 |
| Share-based compensation | 325,000 | 84,000 |
| | 649,473 | 567,998 |

As at October 31, 2020 $65,858 ( 2019 - $91,500) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) Chase Management Ltd. ("Chase"), a private corporation owned by the Chief Financial Officer ("CFO") of the Company, provides accounting and administrative services. During fiscal 2020 the Company incurred $55,800 (2019 - $53,100) for services provided by Chase personnel, exclusive of the CFO, and $4,020 (2019 - $4,020) for rent. As at October 31, 2020 $4,170 (2019 - $335) remained unpaid and has been included in accounts payable and accrued liabilities.

## 9. Income Taxes

Deferred income tax assets are as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Deferred income tax assets (liabilities): | | |
| Losses carried forward | 9,643,600 | 8,942,700 |
| Other | 22,300 | 13,300 |
| | 9,665,900 | 8,956,000 |
| Valuation allowance | (9,665,900) | (8,956,000) |
| Deferred income tax assets | - | - |

The recovery of income taxes shown in the consolidated statements of comprehensive loss differ from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Income tax rate reconciliation | | |
| Combined federal and provincial income tax rate | 27.0% | 27.0% |
| Expected income tax recovery | 464,900 | 3,001,700 |
| Foreign income tax rate difference | (49,800) | (51,300) |
| Non-deductible share-based compensation | (94,500) | (64,700) |
| Other | 7,600 | 4,000 |
| Unrecognized benefit of income tax losses | (328,200) | (2,889,700) |
| Actual income tax recovery | - | - |

*(Expressed in Canadian Dollars)*

**9. Income Taxes** (continued)

As at October 31, 2020 the Company has non-capital losses of approximately $23,234,900 (2019 - $22,599,300) and cumulative pools of approximately $85,800 (2019 - $49,100) for Canadian income tax purposes and are available to reduce Canadian taxable income in future years. The non-capital losses expire commencing 2023 through 2040. The Company's subsidiaries have losses for income tax purposes of approximately $15,350,700 (2019 - $12,937,600) which may be carried forward indefinitely.

**10. Financial Instruments and Risk Management**

***Categories of Financial Assets and Financial Liabilities***

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); amortized cost; fair value through other comprehensive income ("FVOCI"). The carrying values of the Company's financial instruments are classified into the following categories:

| Financial Instrument | Category | October 31, 2020 $ | October 31, 2019 $ |
|---|---|---|---|
| Cash | FVTPL | 3,361,424 | 395,609 |
| Amounts receivable | amortized cost | - | 282 |
| Reclamation deposits | amortized cost | 108,492 | 97,740 |
| Accounts payable and accrued liabilities | amortized cost | (450,694) | (583,159) |
| Property acquisition obligation | amortized cost | (595,268) | (536,184) |

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amounts for the reclamation deposits and property acquisition obligation approximates their fair value. The Company's fair value of cash under the fair value hierarchy is measured using Level 1.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, amounts receivable and reclamation deposits. Management believes that the credit risk concentration with respect to financial instruments included in cash, amounts receivable and reclamation deposit is remote.

**10. Financial Instruments and Risk Management** (continued)

*Liquidity Risk*

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. The following table is based on the contractual maturity dates of financial assets and liabilities and the earliest date on which the Company can be required to settle financial liabilities.

| | Contractual Maturity Analysis at October 31, 2020 | | | | |
|---|---|---|---|---|---|
| | **Carrying Amount $** | **Contractual Cash Flows $** | **Less than 3 Months $** | **1 - 5 Years $** | **Over 5 Years $** |
| Cash | 3,361,424 | 3,361,424 | 3,361,424 | - | - |
| Reclamation deposits | 108,492 | 108,492 | - | - | 108,492 |
| Accounts payable and accrued liabilities | (450,694) | (450,694) | (450,694) | - | - |
| Property acquisition obligation | (595,268) | (595,268) | - | (595,268) | - |

*Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

*Interest Rate Risk*

The Company is exposed to interest rate risk to the extent that the cash bear floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

*Foreign Currency Risk*

The Company's functional currency is the Canadian Dollar and major transactions are transacted in Canadian Dollars and Swedish Krona ("SEK"). The Company maintains SEK bank accounts in Sweden to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At October 31, 2020, 1 Canadian Dollar was equal to 6.72 SEK. Balances are as follows:

| | **SEK** | **CDN $ Equivalent** |
|---|---|---|
| Cash | 1,182,828 | 176,016 |
| VAT receivable | 119,132 | 17,728 |
| Inventories | 621,246 | 92,452 |
| Plant stores and supplies | 672,070 | 100,015 |
| Reclamation deposits | 729,031 | 108,492 |
| Accounts payable and accrued liabilities | (2,442,859) | (363,521) |
| Property acquisition obligation | (4,000,000) | (595,268) |
| | (3,118,552) | (464,086) |

Based on the net exposures as of October 31, 2020 and assuming that all other variables remain constant, a 10% fluctuation of the Canadian Dollar against the SEK would result in the Company's net loss being approximately $46,500 higher or lower.

*(Expressed in Canadian Dollars)*

**10. Financial Instruments and Risk Management** (continued)

*Capital Management*

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as share capital and cash. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

**11. Supplemental Cash Flow Information**

During fiscal 2020 and 2019 non-cash activities were conducted by the Company as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Operating activities | | |
| Accounts payable and accrued liabilities | 26,817 | - |
| Provision for site restoration | (714,302) | (613,692) |
| | (687,485) | (613,692) |
| Investing activities | | |
| Exploration and evaluation assets | (26,817) | - |
| Revisions of estimates on property, plant and equipment | 714,302 | 613,692 |
| | 687,485 | 613,692 |
| Financing activities | | |
| Issuance of common shares | - | 423,500 |
| Share issue costs | - | (4,797) |
| Deferred share issue costs | - | 4,797 |
| Share subscriptions | - | (410,000) |
| Share-based payments reserve | - | (13,500) |
| | - | - |

*(Expressed in Canadian Dollars)*

## 12. Segmented Information

The Company is involved in the exploration and development of resource properties in Sweden, Finland and Romania with corporate operations in Canada and accordingly, has no reportable segment revenues or operating results. The Company's total assets are segmented geographically as follows:

| | As at October 31, 2020 | | | |
|---|---|---|---|---|
| | Corporate Canada $ | Mineral Operations Sweden $ | Mineral Operations Romania $ | Total $ |
| Current assets | 3,307,444 | 419,740 | 520 | 3,727,704 |
| Exploration and evaluation assets | - | 16,332,855 | - | 16,332,855 |
| Property, plant and equipment | - | 7,049,001 | - | 7,049,001 |
| Reclamation deposits | - | 108,492 | - | 108,492 |
| | 3,307,444 | 23,910,088 | 520 | 27,218,052 |

| | As at October 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Corporate Canada $ | Mineral Operations Sweden $ | Mineral Operations Finland $ | Mineral Operations Romania $ | Total $ |
| Current assets | 407,123 | 295,837 | 1,270 | 11,480 | 715,710 |
| Exploration and evaluation assets | - | 16,226,721 | - | - | 16,226,721 |
| Property, plant and equipment | - | 7,784,936 | - | - | 7,784,936 |
| Reclamation deposits | - | 97,740 | - | - | 97,740 |
| | 407,123 | 24,405,234 | 1,270 | 11,480 | 24,825,107 |

## 13. Events after the Reporting Period

(a) On December 4, 2020 the Company entered into a non-binding letter of intent (the "Bergby LOI") with United Lithium Corp. ("ULTH") for the sale of 100% interest in the Bergby Project. Key terms of the Bergby LOI are:

(i) $250,000 cash and issuance of $500,000 worth of common shares of ULTH, calculated as defined in the LOI to be approximately 900,000 shares, and warrants to purchase a further 400,000 common shares of ULTH, on closing; and

(ii) $250,000 cash six months from closing.

In addition, there will be further warrants issued to the Company subject to the Company acquiring certain additional mineral claims in the region of the Bergby Project.

The Company will retain a 2% net smelter returns royalty which ULTH may purchase for $1,000,000.

Closing of the Bergby LOI and the transaction is subject to, among other matters, a due-diligence review by ULTH and signing of a definitive agreement.

(b) Subsequent to October 31, 2020 the Company issued 393,109 common shares for proceeds of $79,863 on the exercise of share options.

# LEADING EDGE MATERIALS CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FOR THE YEAR ENDED OCTOBER 31, 2020

This discussion and analysis of financial position and results of operation is prepared as at January 27, 2021 and should be read in conjunction with the audited consolidated financial statements for the years ended October 31, 2020 and 2019 of Leading Edge Materials Corp. ("Leading Edge Materials" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

**Forward Looking Statements**

Certain information in this MD&A may constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws (collectively, "Forward-Looking Statements"). All statements, other than statements of historical fact, addressing activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are Forward-Looking Statements. Forward-Looking Statements are often, but not always, identified by the use of words such as "seek," "anticipate," "believe," "plan," "estimate," "expect," and "intend" and statements that an event or result "may," "will," "can," "should," "could," or "might" occur or be achieved and other similar expressions. Forward-Looking Statements are based upon the opinions and expectations of the Company based on information currently available to the Company. Forward-Looking Statements are subject to a number of factors, risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the Forward-Looking Statements including, among other things, the Company has yet to generate a profit from its activities; there can be no guarantee that the estimates of quantities or qualities of minerals disclosed in the Company's public record will be economically recoverable; uncertainties relating to the availability and costs of financing needed in the future; competition with other companies within the mining industry; the success of the Company is largely dependent upon the performance of its directors and officers and the Company's ability to attract and train key personnel; changes in world metal markets and equity markets beyond the Company's control; the possibility of write-downs and impairments; the risks associated with uninsurable risks arising during the course of exploration; development and production; the risks associated with changes in the mining regulatory regime governing the Company; the risks associated with tenure to the Norra Karr property; the risks associated with the various environmental regulations the Company is subject to; rehabilitation and restitution costs; the Company's preliminary economic assessment on Woxna is no longer current or valid as a result of the filing of a new NI 43-101 Technical Report effective March 24, 2015, as such there is an increased risk of technical and economic failure for the Woxna graphite project; and dealings with non-governmental organizations. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the Forward-Looking Statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such Forward-Looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such Forward-Looking Statements. Such Forward-Looking Statements has been provided for the purpose of assisting investors in understanding the Company's business, operations and exploration plans and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on Forward-Looking Statements. Forward-Looking Statements are made as of the date hereof, and the Company does not undertake to update such Forward-Looking Statements except in accordance with applicable securities laws.

**COVID-19**

On March 11, 2020 the World Health Organization ("WHO") declared the novel coronavirus outbreak identified as "COVID-19", as a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. The Company has implemented safety and physical distancing procedures, including working from home where possible and ceased all travel, as recommended by the various governments. The

Company will continue to monitor the impact of the COVID-19 outbreak, the duration and impact which is unknown at this time, as is the efficacy of any intervention. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

**Corporate Overview**

The Company was incorporated on October 27, 2010 under the *Business Corporations Act* (British Columbia) as Tasex Capital Limited. The Company's common shares began trading on the TSX Venture Exchange (the "TSXV") as a capital pool company on June 10, 2011. On February 22, 2012 the Company completed the acquisition of the Woxna Project and changed its name to Flinders Resources Limited. On August 25, 2016 the Company completed the acquisition of Tasman Metals Ltd. ("Tasman") and changed its name to Leading Edge Materials Corp. The Company's common shares trade on the TSXV as a Tier 1 mining issuer under the symbol "LEM", on the OTCQB under the symbol "LEMIF" and on the Nasdaq First North, trading under the symbol "LEMSE". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7. The Company's strategy is to acquire and develop a portfolio of critical raw material projects in Europe to provide European industry with a long term secure and sustainable supply. Critical raw materials are determined as such by the European Union based on their economic importance and supply risk. They are directly linked to high growth technologies such as lithium-ion batteries and permanent magnets for electric motors and wind power that underpin the sustainability transition. The portfolio of projects includes the 100% owned Woxna Graphite mine (Sweden), Norra Karr HREE project (Sweden), Bergby lithium project (Sweden) and the 51% owned Bihor Sud Nickel Cobalt exploration alliance (Romania).

As at the date of this MD&A the Board of Directors and Officers of the Company are:

| | |
|---|---|
| Filip Kozlowski | - CEO |
| Nick DeMare | - CFO and Corporate Secretary |
| Lars-Eric Johansson | - Director and Non-Executive Chairman |
| Eric Krafft | - Director |
| Daniel Major | - Director |

**Highlights During and After the Quarter**

During the three months ended October 31, 2020 the Company:

- Completed a non-brokered private placement for proceeds of $3,520,000 by issuing 32,000,000 units at a price of $0.11 per unit. Each unit consists of one common share, and one common share purchase warrant exercisable into one common share at an exercise price of $0.20 expiring August 7, 2024.
- Received information that the Bucharest Court of Appeal published a ruling dismissing the appeal against the Agenţia Natională Pentru Resurse Minerale ("NAMR") by the competing bidder for the Bihor Sud Exploration license in Romania as groundless. Pending the full ruling being served to the parties of the appeal and a subsequent appeal window, NAMR can reinstate the adjudication process of the competing bids for the Bihor Sud Exploration license.
- Granted stock options to directors, officers and consultants to purchase an aggregate of 3,500,000 common shares of the Company at an exercise price of $0.155 expiring August 11, 2023.
- Commissioned SRK Consulting (UK) Limited to produce a preliminary economic assessment study on the Norra Karr heavy rare earth element project to include the additional potential of by-product revenues and associated reduced environmental footprint.
- Received information that the decision to grant a five-year extension on the Norra Karr nr 1 exploration license had been appealed to the Lulea Administrative Court.
- The European Commission announced an Action Plan on critical raw materials aimed to develop resilient value chains for European Union industrial ecosystems, reduce dependency on primary critical raw materials, strengthen domestic sourcing of raw materials in the EU and diversify sourcing from third countries and remove distortions to international trade. The Action Plan included the establishment of a European Raw Materials Alliance to address raw material challenges along industrial ecosystems, provide tailored solutions to industry needs, unlock regulatory bottlenecks and create an investment channel for raw materials projects. The Company has joined ERMA with both the Norra Karr HREE and Woxna Graphite projects.
- Commissioned Zenito Limited, a UK based engineering consultancy, and a range of sub-consultants to produce a Preliminary Economic Assessment study (the "PEA") on the Woxna Graphite project. The PEA

will for the first time include previously developed downstream processes utilizing thermal purification that could enable Woxna Graphite to produce a range of ultra-high purity natural graphite products suitable for the lithium-ion battery market.

Subsequent to October 31, 2020 the Company:

- Appointed Finnish capital markets firm Lago Kapital Oy as liquidity provider for its Nasdaq First North Stockholm listing replacing ABG Sundal Collier ASA.
- Signed a non-binding Letter of Intent with CSE-listed United Lithium Corp. ("ULTH") contemplating the potential sale of 100% of the Bergby Lithium project. The potential sale is subject to, among other matters, a due-diligence review by ULTH and the signing of a binding Definitive Agreement which the Company is working towards finalizing.
- Commissioned Minviro Ltd., a London based globally recognized life cycle assessment ("LCA") consultancy, to build an LCA model and deliver an LCA report for the Woxna Graphite project. The LCA work carried out by Minviro includes a cradle-to-gate life cycle inventory and a life cycle impact assessment for five impact categories of interest. The results will be delivered to the Company in form of an ISO-Compliant Full Life Cycle Assessment and Report. In addition, Minviro will benchmark the results for Woxna against other functionally equivalent industry LCA data, including a number of both natural and synthetic graphite alternative products for energy storage applications.

**Outlook**

The Company's projects are linked to disruptive high growth industrial applications such as electromobility, renewable energy and energy storage that underpin the transition to a sustainable society. The ongoing COVID-19 crisis has not been able to stop the positive momentum for electric vehicle markets globally during the second half of the year. EV manufacturers have been releasing new models and announced increases in production which combined with further announced governmental incentives to consumers have buoyed demand. In parallel battery manufacturers are planning to meet downstream demand with increased production capacity. With the inauguration of Joe Biden as the president, the United States is now again part of the Paris agreement and recent announcement to move the entire fleet of federal vehicles to electric shows a strong resolve to be part of the global shift towards carbon-neutrality.

Most commodity prices say positive developments during the second half of 2020 which has continued into 2021. This also applies for battery materials such as graphite, nickel, lithium, and cobalt which all have experienced strong price developments supported by firm downstream demand combined with supply chain disruptions. Similarly, rare earth oxide prices have risen strongly coming into the new year with strong demand from the electric vehicle and wind turbine industries which has limited available spot supplies. More importantly, in January China introduced a draft regulation to increase regulations and take further control of its national rare earth industry. Measures included cracking down on illegal mining and processing, controlling exports and imports of rare earths and further developing a strategic reserve of rare earth resources and products. Globally, governments are continuing efforts to reduce reliance on China for the rare earth and permanent magnet supply chains. These efforts are seeing results materialize in the US and the UK whilst the EU is rapidly working to support the establishment of European rare earth supply chains through the European Raw Materials Alliance launched in 2020 of which the Company is a stakeholder with both its Norra Karr HREE project and Woxna Graphite mine. Sustainability of critical raw materials is moving further up on the political agenda with the European Commission announcing battery regulations that will require labelling on batteries sold in the European Union to specify associated carbon footprint of those. Through the ongoing LCA work the Company has commissioned for the Woxna Graphite mine the Company is looking forward to demonstrating how a potential European sustainable battery materials supply can look like.

Looking ahead in 2021 the Company is working towards finalizing the two separate preliminary economic assessment reports for the Norra Karr HREE project and the Woxna Graphite mine, finalizing the sale of the Bergby lithium project and a final ruling and continued processing of its exclusive exploration license application for the Bihor Sud nickel-cobalt project in Romania. With vaccination efforts ongoing globally, an unprecedented momentum in the underlying fundamental drivers underpinning the Company's project portfolio strategy we are looking forward to the rest of the new year.

**Projects Overview**

***Woxna Graphite Mine and Production Facility***

The Woxna graphite mine and production facility is comprised of four graphite deposits, an open pit mine, a permit to process 100,000 tonnes of mineralized material per annum, a processing plant and tailings dam, located some 8 kilometres ("km") WNW of the town of Edsbyn, Sweden, approximately 3.5 hour drive north of Stockholm. Access is via 10 km of all-weather forest road from Highway 301. The principal property is the Kringelgruvan concession, where permission to mine remains current until 2041. Ongoing development has been directed towards test work focused on the possible production and modification of high purity graphite using thermal purification technologies for emerging high growth high value markets, one such example being the lithium-ion battery industry. Other potential high-value end-markets being investigated are purified micronized graphite for metallurgical and electroconductive additives and purified large flake graphite as a precursor for the production of expandable graphite suitable as a feed for graphite foil and fuel cell bipolar plates.

***Norra Karr Heavy Rare Earth Elements Project***

Norra Karr is highly significant within Europe and can deliver a secure long-term source of rare earth elements ("REE"), zirconium, hafnium and niobium to European renewable energy and electric vehicle industries. The Norra Karr REE deposit was first discovered and drill tested in 2009. Following thick intersections of mineralized rock, the project progressed quickly through drill out, metallurgical testing, resource calculation, Preliminary Economic Assessment ("PEA"), environmental and social studies, and Mining Lease application, culminating in a Pre-Feasibility Study ("PFS") completed in 2015. Relevant supporting documentation can be found on the Company's website.

A 25-year Mining Lease (exploitation concession) was granted to Tasman Metals AB covering Norra Karr in 2013. In 2016, following an appeal to the Supreme Administrative Court in Sweden regarding the decision-making process of the Bergsstaten under the Minerals Act, the Norra Karr Mining Lease reverted from Granted to Application status. The mining lease application work is ongoing.

In June 2020, the Company received confirmation that the exploration license underlying the mining lease application received an extension with the Bergsstaten to August 31, 2024. Subsequently the Swedish parliament passed legislation to mitigate the impacts of COVID-19 by giving exploration companies an additional year to carry out their work which extends the Norra Karr exploration license to August 31, 2025. Subsequently the decision to grant a five year extension on the Norra Karr nr 1 exploration license has been appealed to the Lulea Administrative Court. The Company will diligently work towards challenging this appeal which the Company has successfully done in the past to ensure security over the Norra Karr heavy rare earth element project.

***Bergby Lithium Project***

Bergby is a lithium project located in central Sweden, 25km north of the town of Gavle. The claim area consists of three exploration permits, Bergby 1, 2 and 3, located in central Sweden. Bergby 1 expires June 16, 2022 and Bergby 2 and 3 expire December 7, 2022 and totals 1,903 hectares with major roads, rail and power supply passing immediately adjacent to the claim boundaries. Mapping and sampling of the Bergby claim in late 2016 and early 2017 located a large number of angular pegmatitic and aplitic lithium-mineralized boulders within an area of 650 metres by 250 metres and demonstrated spodumene and petalite host minerals. Analytical results for the 27 boulder samples averaged 0.85% $Li_2O$ (lithium oxide) and ranged from 0.08% $Li_2O$ to 2.3% $Li_2O$. The boulders are anomalous in other elements which characterize lithium-cesium-tantalum ("LCT") pegmatites that are regularly associated with lithium deposits. Bergby has been tested by a total of 33 drill holes to a maximum depth of 131.1m over an approximate 1500m strike length. Mineralization drilled to date lies very close to surface and extends from the outcrop beneath thin glacial soil cover. Intersections often include elevated levels of tantalum. The Company is working towards finalizing a potential sale of 100% of the project to CSE-listed United Lithium Corp. ("ULTH"). There is no certainty that the parties will be able to conclude the transaction.

***Bihor Sud Cobalt Nickel Project***

In 2018 Leading Edge Materials initiated an Exploration Alliance (the "Exploration Alliance") in Romania focused on the discovery and development of lithium ion battery raw materials. The Exploration Alliance has principally been directed towards cobalt mineralization within the Upper Cretaceous Carpathian magmatic belt of the Balkan region, with an eye to identifying other opportunities. The Carpathian is a well mineralized intrusive arc that extends from Western Turkey to Hungary, forming the western end of the Tethyan Metallogenic Belt.

Following technical and commercial due diligence, Leading Edge Materials established a local branch company ("LEM Romania") of which it is the majority shareholder with the right to earn a 90% interest. During 2018 and early 2019, LEM Romania completed various prospecting, sampling and geological activity across an area of 25.5 sq km (2,550 ha) pertaining to the Bihor Sud Prospecting Permit in central western Romania.

On the basis of positive results, in October 2019 LEM Romania elected to submit an Exploration License application to the permitting authority Agenţia Natională Pentru Resurse Minerale ("NAMR") for the Bihor Sud area in a competitive tender process. The LEM Romania tender document was declared as compliant by NAMR. The Company was notified that one other application (submitted by Romanian private company Global Centurions SRL) was received under the competitive tender process. The tender is adjudicated on the basis of technical and financial merit, with substantial credit given to the work completed under the prior Prospecting Permit.

During January 2020 Leading Edge Materials was advised that Global Centurions SRL lodged an appeal to the Bucharest Court of Appeal against NAMR. The appeal seeks to cancel the outcome of the tender process for the Bihor Sud Exploration License before a winner is declared. Adjudication of the tender has been suspended until the appeal by the Second Bid Party has been definitively resolved. The Bucharest Court of Appeal has published a ruling dismissing the appeal against NAMR by the competing bidder for the Bihor Sud Exploration license in Romania as groundless. Subject to the full ruling being served to the parties of the appeal and a subsequent appeal window, NAMR can reinstate the adjudication process of the competing bids for the Bihor Sud Exploration license.

### Qualified Person

The qualified person for the Company's project, Mr. Mark Saxon, B.Sc. Hons (Geology), a Fellow of the Australasian Institute of Mining and Metallurgy, technical adviser to the Company, has reviewed and verified the contents of this document.

### Financial Information

The report for the three months ended January 31, 2021 is expected to be published on or about March 25, 2021.

### Selected Financial Data

The following selected financial information is derived from the audited consolidated financial statements of the Company prepared in accordance with IFRS.

| | **Year Ended October 31,** | | |
|---|---|---|---|
| | **October 31, 2020 $** | **October 31, 2019 $** | **October 31, 2018 $** |
| **Operations** | | | |
| Expenses | (2,017,054) | (2,393,498) | (4,493,336) |
| Other items | 295,233 | (8,723,909) | 107,051 |
| Comprehensive loss | (1,721,821) | (11,117,407) | (4,386,285) |
| Basic and diluted loss per share | (0.01) | (0.12) | (0.05) |
| Dividends per share | Nil | Nil | Nil |
| **Balance Sheet** | | | |
| Working capital | 3,277,010 | 132,551 | 960,707 |
| Total assets | 27,218,052 | 24,825,107 | 35,075,446 |
| Total non-current liabilities | (7,053,874) | (7,701,324) | (8,306,212) |

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company prepared in accordance with IFRS.

| | Fiscal 2020 | | | | Fiscal 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| **Three Months Ended** | **October 31, 2020 $** | **July 31, 2020 $** | **April 30, 2020 $** | **January 31, 2020 $** | **October 31, 2019 $** | **July 31, 2019 $** | **April 30, 2019 $** | **January 31, 2019 $** |
| **Operations** | | | | | | | | |
| Expenses | (882,556) | (420,959) | (337,609) | (375,930) | (409,297) | (561,771) | (571,749) | (850,681) |
| Other items | 327,987 | (21,567) | 20,187 | (31,374) | (8,799,476) | 27,101 | 46,864 | 1,602 |
| Comprehensive loss | (554,569) | (442,526) | (317,422) | (407,304) | (9,208,773) | (534,670) | (524,885) | (849,079) |
| Basic and diluted loss per share | (0.01) | (0.00) | (0.00) | (0.00) | (0.09) | (0.01) | (0.01) | (0.01) |
| **Financial Position** | | | | | | | | |
| Working capital | 3,277,010 | 3,354,422 | 499,883 | 711,727 | 132,551 | 518,129 | 929,183 | 1,438,895 |
| Total assets | 27,218,052 | 27,832,104 | 24,722,718 | 24,803,562 | 24,825,107 | 34,088,219 | 35,359,241 | 35,766,406 |
| Total non-current liabilities | (7,053,874) | (7,486,123) | (7,452,242) | (7,154,761) | (7,701,324) | (7,876,382) | (8,637,726) | (8,515,027) |

**Results of Operations**

*Three Months Ended October 31, 2020 Compared to Three Months Ended July 31, 2020*

During the three months ended October 31, 2020 (“Q4”) the Company reported a net loss of $554,569 compared to a reported net loss of $442,526 for the three months ended July 31, 2020 (“Q3”), an increase in loss of $112,043. During Q4 the Company incurred share-based compensation of $350,000 which was partially offset by a $274,329 derecognition of a provision previously made for potential land concession payments.

*Three Months Ended October 31, 2020 Compared to Three Months Ended October 31, 2019*

During the three months ended October 31, 2020 (“Q4/2020”) the Company reported a net loss of $554,569 compared to a net loss of $9,208,773 for the three months ended October 31, 2019 (“Q4/2019”), for a decrease in loss of $8.654,204. The decrease in loss was primarily attributed to the recognition of an $8,800,000 impairment provision to property, plant and equipment in Q4/2019.

*Year Ended October 31, 2020 Compared to Year Ended October 31, 2019*

During the year ended October 31, 2020 (“fiscal 2020”), the Company incurred a net loss of $1,721,821 compared to a net loss of $11,117,407 during the year ended October 31, 2019 (“fiscal 2019”), a decrease in loss of $9,395,586. The decrease in loss is primarily attributed to the recognition of an $8,800,000 impairment provision to property, plant and equipment in fiscal 2019, a $430,718 decrease in general administrative expenses in fiscal 2020 and the $274,329 derecognition reversal of a provision during fiscal 2020.
Specific expenses of note during fiscal 2020 are as follows:

(i) incurred $324,473 (2019 - $483,998) for directors and officers compensation of which $147,473 was paid to the CEO. See “Related Party Transactions and Balances” for detailed description;
(ii) recognized share-based compensation of $350,000 (2019 - $239,773) on the granting of share options to purchase 3,500,000 (2019 - 2,543,109) common shares of the Company;
(iii) incurred $119,020 (2019 - $136,476) for regulatory fees with respect to ongoing fees for the Company’s listing of its common shares on the Nasdaq First North and TSXV exchanges;
(iv) incurred a total of $94,487 (2019 - $92,421) for accounting and administration services of which $55,800 (2019 - $53,100) was incurred for accounting and administration services provided by Chase Management Ltd. (“Chase”), a private corporation controlled by Mr. DeMare, and $38,687 (2019 - $39,221) for bookkeeping and accounting services for subsidiary companies provided by other independent accountants;
(v) incurred a total of $67,510 (2019 - $118,406) for consulting services provided by consultants for corporate, administrative and financial services;
(vi) incurred research and development expenses of $123,976 (2019 - $108,599). The Company has continued to conduct research and development towards adding value to its projects;
(vii) incurred general exploration expenses of $35,175 (2019 -$95,171) mainly for permitting and associated costs in Sweden and the ongoing application process on the Bihor Sud Project in Romania;
(viii) incurred $23,658 (2019 - $57,137) for travel expenses. Corporate travel and field trips to the Company’s exploration projects were significantly curtailed in fiscal 2020 due to the impact of COVID-19; and

(ix) incurred a total of $20,499 (2019- $162,264) for corporate development expenses. During fiscal 2019 the Company participated in several market awareness programs. These activities were significantly reduced in fiscal 2020.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During fiscal 2020 the Company reported interest and other income of $25,493 compared to $21,876 during fiscal 2019. During fiscal 2020 the Company recorded a cost recovery of $19,588 (2019 - $35,273) for qualifying expenses attributed to the LiRef research project, which has been included in other income.

During fiscal 2020 the Company recorded a foreign exchange loss of $71,507 compared to a gain of $18,942 during fiscal 2019 due to fluctuating exchange rates. In addition, during fiscal 2020 the Company recorded a gain on disposal of capital assets of $12,644.

*Financings*

During fiscal 2020 the Company completed the following private placement financings:

(i) 18,000,000 units at $0.056 per unit for gross proceeds of $1,008,000; and

(ii) 32,000,000 units at a price of $0.11 per unit for gross proceeds of $3,520,000.

In addition the Company issued 800,000 common shares on the exercise of warrants for $80,000. The net proceeds from these financings and warrant exercises have been designated to maintain the Company's projects in Sweden and Romania and for general working capital and corporate purposes.

During fiscal 2019 period the Company completed a private placement financing of 6,027,855 units at $0.28 per unit for gross proceeds of $1,687,799. In addition the Company issued 150,000 common shares on the exercise of share options for $24,000.

*Property, Plant and Equipment*

| | Vehicles $ | Equipment and Tools $ | Building $ | Manufacturing and Processing Facility $ | Mineral Property Acquisition and Development Costs $ | Total $ |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Balance - October 31, 2018 | 81,147 | 287,018 | 344,139 | 7,567,878 | 9,444,414 | 17,724,596 |
| Addition | - | - | - | - | 4,917 | 4,917 |
| Adjustment to site restoration | - | - | - | - | (613,692) | (613,692) |
| Balance - October 31, 2019 | 81,147 | 287,018 | 344,139 | 7,567,878 | 8,835,639 | 17,115,821 |
| Addition | - | - | - | - | 2,591 | 2,591 |
| Adjustment to site restoration | - | - | - | - | (714,302) | (714,302) |
| Disposal | (65,053) | - | - | - | - | (65,053) |
| Balance - October 31, 2020 | 16,094 | 287,018 | 344,139 | 7,567,878 | 8,123,928 | 16,339,057 |
| **Accumulated Depreciation:** | | | | | | |
| Balance - October 31, 2018 | (60,171) | (256,303) | (71,497) | (110,218) | - | (498,189) |
| Depreciation | (6,718) | (3,969) | (22,009) | - | - | (32,696) |
| Impairment | - | - | - | (3,800,000) | (5,000,000) | (8,800,000) |
| Balance - October 31, 2019 | (66,889) | (260,272) | (93,506) | (3,910,218) | (5,000,000) | (9,330,885) |
| Depreciation | (770) | (1,445) | (22,009) | - | - | (24,224) |
| Disposal | 65,053 | - | - | - | - | 65,053 |
| Balance - October 31, 2020 | (2,606) | (261,717) | (115,515) | (3,910,218) | (5,000,000) | (9,290,056) |
| **Carrying Value:** | | | | | | |
| Balance - October 31, 2019 | 14,258 | 26,746 | 250,633 | 3,657,660 | 3,835,639 | 7,784,936 |
| Balance - October 31, 2020 | 13,488 | 25,301 | 228,624 | 3,657,660 | 3,123,928 | 7,049,001 |

*Exploration and Evaluation Assets*

| | Graphite Concessions $ | Norra Karr $ | Bergby $ | Total $ |
|---|---|---|---|---|
| **Balance at October 31, 2018** | 18,803 | 15,736,406 | 407,030 | 16,162,239 |
| **Exploration costs** | | | | |
| Geological | - | 23,258 | 1,297 | 24,555 |
| Permitting | - | 29,564 | - | 29,564 |
| **Balance at October 31, 2019** | - | 52,822 | 1,297 | 54,119 |
| **Acquisition costs** | | | | |
| Mining rights | 1,972 | 9,437 | 4,942 | 16,351 |
| Recovery | (5,988) | - | - | (5,988) |
| | (4,016) | 9,437 | 4,942 | 10,363 |
| **Balance at October 31, 2019** | 14,787 | 15,798,665 | 413,269 | 16,226,721 |
| **Exploration costs** | | | | |
| Geological | - | 6,102 | 436 | 6,538 |
| Permitting | - | 10,339 | - | 10,339 |
| Preliminary economic assessment | - | 77,411 | - | 77,411 |
| | - | 93,852 | 436 | 94,288 |
| **Acquisition costs** | | | | |
| Mining rights | - | - | 11,846 | 11,846 |
| **Balance at October 31, 2020** | 14,787 | 15,892,517 | 425,551 | 16,332,855 |

## Financial Condition / Capital Resources

During fiscal 2020 the Company recorded a net loss of $1,721,821 and, as at October 31, 2020, the Company had an accumulated deficit of $39,893,552 and working capital of $3,277,010. The Company is maintaining its Woxna Graphite Mine on a "production-ready" basis to minimize costs and is conducting ongoing research and development to produce higher specialty products. The Company has also commissioned PEA studies on the Woxna Graphite and Norra Karr projects. The Company anticipates that it has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months however, it will need additional capital to provide working capital and recommence operations at the Woxna Graphite Mine and/or modernize the plant to produce value added production, to fund future development of the Norra Karr Property and complete the tendering process and, if successful, exploration activities in Romania. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations. See also "COVID-19".

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Proposed Transactions

The Company has no proposed transactions.

## Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management 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 expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of all the Company's critical accounting estimates is included in Note 3 to the October 31, 2020 audited annual consolidated financial statements.

### Changes in Accounting Policies

The Company adopted all of the requirements of IFRS 16 - *Leases* ("IFRS 16"), effective November 1, 2019.

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Management has determined that there was no impact on the Company's consolidated financial statements upon the adoption of this new standard.

A detailed summary of all the Company's significant accounting policies and accounting standards and interpretations issued but not yet effective, is included in Note 3 to the October 31, 2020 audited annual consolidated financial statements.

### Related Party Transactions and Balances

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's current and former Board of Directors and its executive officers.

(a) During fiscal 2020 and 2019 the following compensation was incurred:

| | **2020** **$** | **2019** **$** |
|---|---|---|
| Mr. Filip Kozlowski, CEO and former director (1) | 162,473 | 30,000 |
| Mr. Nick DeMare, CFO and Corporate Secretary (2) | 30,000 | 30,000 |
| Mr. Lars-Eric Johansson, Chairman and director (1) | 15,000 | - |
| Mr. Eric Krafft, director (1) | 15,000 | - |
| Mr. Daniel Major, director (1) | 15,000 | - |
| Mr. Mark Saxon, former interim CEO, President and director (1)(3) | 72,000 | 144,000 |
| Mr. Michael Hudson, former director (1) | 15,000 | 30,000 |
| Mr. Blair Way, former President, CEO and director (4) | - | 249,998 |
| | 324,473 | 483,998 |

(1) On May 4, 2020 the Company announced changes to the Board of Directors and senior Management. Messr. Hudson, Saxon and Kozlowski resigned as Directors and Messr. Lars-Eric Johansson, Daniel Major and Eric Krafft were appointed as new Directors. Concurrently, a change in senior management was announced with the appointment of Mr. Filip Kozlowski as Chief Executive Officer ("CEO"). Mr. Kozlowski replaced Mr. Mark Saxon, former Interim CEO and President.
(2) Mr. DeMare, the Company's CFO, was appointed as Corporate Secretary on April 30, 2018.
(3) On January 31, 2019, Mr. Saxon was appointed interim CEO and President. See also (4).
(4) Mr. Way resigned as CEO, President and as a director on January 31, 2019 and Mr. Saxon was appointed interim CEO and President. Mr. Way's compensation for fiscal 2019 included a $200,000 severance payment.

As at October 31, 2020 $65,858 (2019 - $91,500) remained unpaid.

In addition, the Company incurred share-based compensation for key management personnel as follows:

| | **2020** **$** | **2019** **$** |
|---|---|---|
| Share-based compensation - Mr. Major | 90,000 | - |
| Share-based compensation - Mr. Johansson | 90,000 | - |
| Share-based compensation - Mr Kraft | 140,000 | - |
| Share-based compensation - Mr. Hudson | - | 18,000 |

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Share-based compensation - Mr. DeMare | 5,000 | 12,000 |
| Share-based compensation - Mr. Saxon | - | 24,000 |
| Share-based compensation - Mr. Kozlowski | - | 30,000 |
| | 325,000 | 84,000 |

(b) During fiscal 2020 the Company incurred $55,800 (2019 - $53,100) to Chase, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and $4,020 (2019 - $4,020) for rent. As at October 31, 2020 $4,170 (2019 - $335) remained unpaid.

**Outstanding Share Data**

The Company's authorized share capital is unlimited common shares without par value. As at January 27, 2021, there were 146,860,500 issued and outstanding common shares, 55,227,855 warrants outstanding with exercise prices ranging from $0.10 to $0.37 per share and 9,615,000 share options outstanding with exercise prices ranging from $0.155 to $0.64 per share.