



LEADING EDGE MATERIALS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
JANUARY 31, 2021

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

LEADING EDGE MATERIALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	January 31, 2021 \$	October 31, 2020 \$
ASSETS			
Current assets			
Cash		2,619,774	3,361,424
GST/VAT receivables		74,282	43,895
Amounts receivable		30,575	-
Prepaid expenses and other		155,743	129,918
Inventory		94,972	92,452
Plant stores and supplies		102,742	100,015
Total current assets		<u>3,078,088</u>	<u>3,727,704</u>
Non-current assets			
Exploration and evaluation assets	4	16,451,464	16,332,855
Property, plant and equipment	5	9,118,752	7,049,001
Reclamation deposit	6	111,449	108,492
Total non-current assets		<u>25,681,665</u>	<u>23,490,348</u>
TOTAL ASSETS		<u>28,759,753</u>	<u>27,218,052</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		479,897	450,694
Non-current liabilities			
Provision for site restoration	6	8,543,295	6,458,606
Property acquisition obligation	4(a), 5	611,492	595,268
Total non-current liabilities		<u>9,154,787</u>	<u>7,053,874</u>
TOTAL LIABILITIES		<u>9,634,684</u>	<u>7,504,568</u>
SHAREHOLDERS' EQUITY			
Share capital	7	53,499,213	53,419,350
Share-based payments reserve	7(d)	6,187,686	6,187,686
Deficit		(40,561,830)	(39,893,552)
TOTAL SHAREHOLDERS' EQUITY		<u>19,125,069</u>	<u>19,713,484</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>28,759,753</u>	<u>27,218,052</u>

Nature of Operations and Going Concern - Note 1

Events after the Reporting Period - Note 12

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on March 25, 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 condensed consolidated interim financial statements.

LEADING EDGE MATERIALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Notes	Three Months Ended January 31,	
		2021 \$	2020 \$
Expenses			
Accounting and administration	8(b)	53,951	31,279
Accretion of provision for site restoration	6	7,890	1,942
Audit		48,386	40,000
Bank charges		1,282	1,146
Conferences		187	8,720
Corporate Development		34,072	10,624
Depreciation	5	7,047	6,327
Directors and officer's compensation	8(a)	109,664	58,500
Environmental		16,440	10,796
Fuel, electricity and utilities		26,190	26,520
General exploration		7,802	1,901
Insurance		4,683	5,961
Legal		7,557	6,362
Office		10,949	10,690
Plant maintenance		(593)	9,345
Plant supplies and consumables		6,288	4,933
Regulatory		26,635	28,389
Research and development (Preliminary economics assessment)		202,700	17,528
Salaries, compensation and benefits		77,512	64,774
Shareholder costs		7,975	11,749
Transfer agent		8,010	8,515
Travel		48	9,929
		<u>664,675</u>	<u>375,930</u>
Loss before other items		<u>(664,675)</u>	<u>(375,930)</u>
Other items			
Interest income		5,423	5,145
Other Income		1,606	-
Foreign exchange		<u>(10,632)</u>	<u>(36,519)</u>
		(3,603)	(31,374)
Net loss and comprehensive loss		<u>(668,278)</u>	<u>(407,304)</u>
Loss per share - basic and diluted		<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding		<u>146,616,269</u>	<u>102,067,391</u>

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

LEADING EDGE MATERIALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended January 31, 2021				
	Share Capital				
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
Balance at October 31, 2020	146,467,391	53,419,350	6,187,686	(39,893,552)	19,713,484
Common shares issued for:					
Options Exercised	393,109	79,863	-	-	79,863
Net loss for the period	-	-	-	(668,278)	(668,278)
Balance at January 31, 2021	146,860,500	53,499,213	6,187,686	(40,561,830)	(19,125,069)

	Three Months Ended January 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:					
Private placement	18,000,000	1,008,000	-	-	1,008,000
Share issue costs	-	(37,342)	-	-	(37,342)
Net loss for the period	-	-	-	(407,304)	(407,304)
Balance at January 31, 2020	113,667,391	49,845,327	5,837,686	(38,579,035)	17,103,978

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

LEADING EDGE MATERIALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended January 31,	
	2021	2020
	\$	\$
Operating activities		
Net loss for the period	(668,278)	(407,304)
Adjustments for:		
Accretion of provision for site restoration	7,890	1,942
Depreciation	7,047	6,327
Foreign exchange	8,022	6,222
Changes in non-cash working capital items:		
Amounts receivable	(30,575)	(382)
GST/VAT receivables	(30,387)	(900)
Prepaid expenses and other	(25,825)	(2,268)
Accounts payable and accrued liabilities	29,201	(38,336)
Net cash used in operating activities	<u>(702,904)</u>	<u>(434,699)</u>
Investing activity		
Expenditures on exploration and evaluation assets	<u>(118,609)</u>	<u>(2,612)</u>
Net cash used in investing activity	<u>(118,609)</u>	<u>(2,612)</u>
Financing activities		
Issuance of common shares	79,863	1,008,000
Share issue costs	<u>-</u>	<u>(37,342)</u>
Net cash provided by financing activities	<u>79,863</u>	<u>970,658</u>
Net change in cash	(741,650)	533,347
Cash at beginning of period	<u>3,361,424</u>	<u>395,609</u>
Cash at end of period	<u>2,619,774</u>	<u>928,956</u>

Supplemental cash flow information - See Note 11

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

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 31, 2021
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

The Company is a Canadian public company primarily focussed 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, pending sale) 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 three months ended January 31, 2021 the Company recorded a net loss of \$668,278 and, as at January 31, 2020, the Company had an accumulated deficit of \$40,561,830 and working capital of \$2,598,191. 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 and development work to increase resource efficiency and minimize local environmental footprint for the project. 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.

These condensed consolidated interim 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 condensed consolidated interim 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.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended October 31, 2020.

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Basis of Measurement

The Company's condensed consolidated interim 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 condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

3. Subsidiaries

The subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
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%
Bergby Lithium AB	Sweden	100%
Acp Akku Oy	Finland	100%
LEM Resources SRL ("LEM Romania")	Romania	51%

4. Exploration and Evaluation Assets

	As at January 31, 2021			As at October 31, 2020		
	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	595,489	15,998,111	15,402,622	489,895	15,892,517
Bergby	66,579	371,987	438,566	66,579	358,972	425,551
	<u>15,479,282</u>	<u>972,182</u>	<u>16,451,464</u>	<u>15,479,282</u>	<u>853,573</u>	<u>16,332,855</u>

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4. Exploration and Evaluation Assets (continued)

	Graphite Concessions	Norra Kärr	Bergby	Total
	\$	\$	\$	\$
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
	<u>-</u>	<u>93,852</u>	<u>436</u>	<u>94,288</u>
Acquisition costs				
Mining rights	-	-	11,846	11,846
Recovery	-	-	-	-
	<u>-</u>	<u>-</u>	<u>11,846</u>	<u>11,846</u>
Balance at October 31, 2020	14,787	15,892,517	425,551	16,332,855
Exploration costs				
Permitting	-	16,005	10,227	26,232
Geological	-	-	2,786	2,786
Preliminary economic assessment	-	89,590	-	89,590
Balance at January 31, 2021	14,787	15,998,112	438,565	16,451,464

(a) *Graphite Concessions*

Through Woxna, the Company holds a 100% interest in the Woxna Graphite Mine, comprising four concessions, known as Kringelgruvan, 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 Kringelgruvan 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 Kringelgruvan concession and the Woxna Graphite Mine was demonstrated, transitioning the Kringelgruvan concession to the development stage of mining. Accordingly the costs of the exploration and evaluation assets attributed to the Kringelgruvan concession and the Woxna Graphite Mine were reclassified to property, plant and equipment. See also Note 5.

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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 reapplication, 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. On February 11, 2021 the company entered into a definitive agreement to sell 100% of the stake in Bergby Lithium Project, also see Note 12(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 kilometers 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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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, 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
Adjustment to site restoration	-	-	-	-	2,076,798	2,076,798
Balance at January 31, 2021	16,094	287,018	344,139	7,567,878	10,200,726	18,415,855
Accumulated Depreciation and Impairment:						
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)
Depreciation	(224)	(420)	(6,403)	-	-	(7,047)
Balance at January 31, 2021	(2,830)	(262,137)	(121,918)	(3,910,218)	(5,000,000)	(9,297,103)
Carrying Value:						
Balance at October 31, 2020	13,488	25,301	228,624	3,657,660	3,123,928	7,049,001
Balance at January 31, 2021	13,264	24,881	222,221	3,657,660	3,123,928	9,118,752

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 January 31, 2021 the Company has recognized \$611,492 (October 31, 2020 - \$595,268) for the Property Acquisition Obligation associated with the Kringelgruvan concession, as described in Note 4(a)(i).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. Provision for Site Restoration

Although the ultimate amount of the decommissioning obligation for the Kringelgruvan 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 40,000,000 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 0.07% (2020 - 0%) and an inflation factor of 1.7% (2020 - 0.3%). 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, 2019	7,165,140
Accretion	7,768
Revision of estimates	(1,450,913)
Foreign exchange adjustment	<u>736,611</u>
Balance at October 31, 2020	6,458,606
Accretion	7,890
Revision of estimates	1,904,025
Foreign exchange adjustment	<u>172,774</u>
Balance at January 31, 2021	<u>8,543,295</u>

As at January 31, 2021 reclamation deposits totaling \$111,449 (October 31, 2020 - \$108,492) have been paid. The reclamation deposits were placed as security for site restoration on the Kringelgruvan concession and on certain exploration and evaluation assets.

As at January 31, 2021 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**

Three Months Ended January 31, 2021

During the period ended January 31, 2021, 393,109 options were exercised at a price of \$0.20 per share for gross proceeds of \$79,863.

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.

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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.

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at January 31, 2021 and 2020 and the changes for the three months ended on those dates is as follows:

	2021		2020	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance beginning of period	55,277,855	0.19	13,764,595	0.58
Issued	-	-	18,000,000	0.10
Expired	-	-	(4,010,376)	0.70
Balance end of period	55,277,855	0.19	27,754,219	0.25

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

Number	Exercise Price \$	Expiry Date
6,027,855	0.37	November 21, 2021
17,200,000	0.10	December 30, 2023
<u>32,000,000</u>	0.20	August 7, 2024
55,277,855		

(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 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 five years.

No share options were granted during the three months ended January 31, 2021.

During the three months ended January 31, 2021, 393,109 options were exercised at a price of \$0.20 per share for gross proceeds of \$79,863.

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.

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(Unaudited - Expressed in Canadian Dollars)

7. Share Capital (continued)

A summary of the Company's share options at January 31, 2021 and 2020 and the changes for the three months ended on those dates is as follows:

	2021		2020	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance beginning of period	10,008,109	0.34	7,163,109	0.44
Exercised	(393,109)	0.20	-	-
Balance end of period	9,615,000	0.34	7,163,109	0.44

The following table summarizes information about the share options outstanding and exercisable at January 31, 2021:

Number	Exercise Price \$	Expiry Date
3,465,000	0.39	October 14, 2021
600,000	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
9,615,000		

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 consist of members of the Company's Board of Directors and its executive officers.

(a) During the three months ended January 31, 2021 and 2020 the following compensation was incurred:

	2021 \$	2020 \$
Directors and officer's compensation (current and former)	<u>109,664</u>	<u>58,500</u>

As at January 31, 2021 \$12,865 (October 31, 2020 - \$65,858) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) SKS Business Services Ltd., a private corporation owned by Sanjay Swarup (appointed as Chief Financial Officer ("CFO") of the Company on March 1, 2021), provides accounting and administrative services. During the three months ended January 31, 2021, the Company incurred \$7,880 (2020 - \$NIL) for accounting services by SKS Business Services.

Chase Management Ltd. ("Chase"), a private corporation owned by the Former Chief Financial Officer ("CFO") of the Company, provides accounting and administrative services. During the three months ended January 31, 2021 the Company incurred \$30,651 (2020 - \$22,000) for services provided by Chase personnel, exclusive of the CFO, and \$1,340 (2020 - \$1,005) for rent. As at January 31, 2021 \$15,785 (October 31, 2020 - \$5,835) remained unpaid and has been included in accounts payable and accrued liabilities.

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9. 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	January 31, 2021 \$	October 31, 2020 \$
Cash	FVTPL	2,619,774	3,361,424
Amounts receivable	amortized cost	30,575	-
Reclamation deposit	amortized cost	111,449	108,492
Accounts payable and accrued liabilities	amortized cost	(479,897)	(450,694)
Property acquisition obligation	amortized cost	(611,492)	(595,268)

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 deposit and property acquisition obligation approximate 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 deposit. Management believes that the credit risk concentration with respect to financial instruments included in cash, amounts receivable and reclamation deposit is remote.

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.

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9. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at January 31, 2021				
	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	2,619,774	2,619,774	2,619,774	-	-
Amounts receivable	30,575	30,575	-	30,575	-
Reclamation deposit	111,449	111,449	-	-	111,449
Accounts payable and accrued liabilities	(479,897)	(479,897)	(479,897)	-	-
Property acquisition obligation	(611,492)	(611,492)	-	(611,492)	-

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 January 31, 2021, 1 Canadian Dollar was equal to 6.54 SEK. Balances are as follows:

	SEK	CDN \$ Equivalent
Cash	531,567	83,843
VAT receivable	84,804	12,967
Inventories	621,117	94,972
Plant stores and supplies	671,926	102,741
Reclamation deposit	728,876	111,449
Accounts payable and accrued liabilities	(2,440,244)	(373,123)
Property acquisition obligation	(4,000,000)	(611,492)
	<u>(3,801,954)</u>	<u>(578,643)</u>

Based on the net exposures as of January 31, 2021 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 \$57,900 higher or lower.

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.

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10. Supplemental Cash Flow Information

During the three months ended January 31, 2021 and 2020 non-cash activities were conducted by the Company as follows:

	2021 \$	2020 \$
Operating activity		
Provision for site restoration	2,076,798	(560,921)
Investing activity		
Revisions of estimates on property, plant and equipment	2,076,798	560,921

11. Segmented Information

The Company is involved in the exploration and development of resource properties in Sweden 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 January 31, 2021			
	Corporate Canada \$	Mineral Operations Sweden \$	Mineral Operations Romania \$	Total \$
Current assets	2,694,481	383,077	530	3,078,088
Exploration and evaluation assets	-	16,451,464	-	16,451,464
Property, plant and equipment	-	9,118,752	-	9,118,752
Reclamation deposit	-	111,449	-	111,449
	<u>2,694,481</u>	<u>26,064,742</u>	<u>530</u>	<u>28,759,753</u>
	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 deposit	-	108,492	-	108,492
	<u>3,307,444</u>	<u>23,910,088</u>	<u>520</u>	<u>27,218,052</u>

12. Events after the Reporting Period

- a) On February 11, 2021 the company entered into a definitive agreement to sell 100% of the stake in Bergby Lithium Project. Closing of the transactions subject to, among other matters, closing deliverables being finalized.
- b) On March 1, 2021, Sanjay Swarup is appointed as the Chief Financial Officer ("CFO") of the Company.



LEADING EDGE MATERIALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JANUARY 31, 2021

This discussion and analysis of financial position and results of operation is prepared as at March 25, 2021 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended January 31, 2021 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 focused on developing a portfolio of critical raw material projects located in the European Union. 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 batteries for electromobility and energy storage and permanent magnets for electric motors and wind power that underpin the clean energy transition towards climate neutrality. The portfolio of projects includes the 100% owned Woxna Graphite mine (Sweden), Norra Karr HREE project (Sweden), Bergby lithium project (Sweden, pending sale) 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	- Corporate Secretary
Sanjay Swarup	- CFO
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 January 31, 2021 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.

Subsequent to January 31, 2021 the Company:

- Signed a Definitive Agreement on February 11, 2021 to sell 100% of the Bergby Lithium project to CSE-listed United Lithium Corp (the "Transaction"). The Transaction is subject to, among other matters, certain closing conditions which the Company is working towards finalizing. On and subject to the conditions set forth in the Agreement, the Company will receive the following consideration under the Transaction:

- a) CAD\$250,000 in cash on the closing date of the Transaction (the "Closing Date");
 - b) 1,031,864 common shares in the capital of ULTH (each, a "ULTH Share");
 - c) 400,000 common share purchase warrants (the "Warrants") with each Warrant entitling the Company to acquire, for a period of 36 months, one ULTH Share at an exercise price equal to approximately CAD\$0.485;
 - d) an additional \$250,000 in cash on the date that is 6 months following the Closing Date; and
 - e) a 2% net smelter returns royalty on the Project, which shall be subject to a buyback right in favour of ULTH for CAD\$1,000,000.
- Appointed Mr. Sanjay Swarup as new Chief Financial Officer. Mr. Swarup holds a Master of Business Administration from Cranfield School of Management (Bedfordshire, UK) and is a chartered accountant from India and the UK with over 25 years of experience in accounting and business consulting, with 15 of those years in the resource industry. Mr. Swarup has held the role of CFO for a number of UK and Canadian listed resource companies. Between 2009 and 2018 Mr. Swarup was the CFO of TSX-listed Mandalay Resources which operates a producing gold mine in Sweden.
 - Announced development work together with Forge Nano (Colorado, USA) on Atomic Layer Deposition coating of spherical purified graphite from Woxna to optimize future performance of Woxna's lithium-ion battery anode materials. The coating for anode materials can increase cycle life, charge rate and conductivity whilst improving safety. A recent price assessment produced by Benchmark Mineral Intelligence for the Company shows average pricing in 2020 for uncoated natural spherical graphite at around US\$3,000 per tonne and for coated natural spherical graphite between US\$7,000 per tonne (domestic China and non-EU) and US\$12,000 per tonne (high-end applications), with an average price of around US\$9,500 per tonne for material used in cells for Western OEMs.
 - Announced that its Annual General Meeting of Shareholders will be held Wednesday, April 21, 2021.

Outlook

The Company's projects are directly linked to high growth technologies such as batteries for electromobility and energy storage and permanent magnets for electric motors and wind power that underpin the clean energy transition towards climate neutrality.

Increasing demand for electric vehicles, limited supply combined with supply chain disruptions has led to strong price developments year to date for key battery materials such as graphite, cobalt and lithium. Similarly, prices for key permanent magnet rare earth elements such as neodymium, praseodymium, dysprosium and terbium have risen sharply year to date due to strong demand limited supply combined with supply chain disruptions.

The Company is continuing to finalize the two preliminary economic assessment ("PEA") studies on our Swedish projects.

For Woxna, the PEA is looking to demonstrate the potential added economic benefit of producing active anode material for the lithium-ion industry based on the Company's research and development of downstream processes. Woxna benefits from access to low cost green hydroelectricity which offers a distinct competitive and sustainability advantage. To demonstrate this advantage, the Company has commissioned a life cycle assessment ("LCA") on the envisioned production from Woxna which aligns with the sustainable battery regulation announced by the European Commission in late 2020 that will enforce carbon footprint declarations on any batteries placed on the European market. The LCA report is planned to be released concurrently with the PEA report. There has been a constant flow of battery factory capacity announcements, most recently by Volkswagen announcing plans for six 40GWh battery plants by 2030 in Europe alone. With a built mine looking to add the downstream value add processing, and an ideal location logistically in Sweden, Woxna is in the right time and place to benefit from the expected exponential growth in graphite anode demand over the next decade.

For Norra Karr, the PEA targets to demonstrate a new potential operational model for REE production that maximizes resource efficiency whilst minimizing the environmental footprint of the project. The Company believes this new operational model could be key to promote public support for the project in addition to

delivering potential improvement in project economics. Norra Karr is one of few heavy rare earth element projects of its kind globally, and the only project in Europe that could supply significant amounts of critical permanent magnet rare earths such as dysprosium and terbium. As Europe is urgently looking to support the development of its own rare earth magnet value chain to reduce reliance on China, Norra Karr could be a key piece to solve that puzzle.

The results from these two PEA studies, which are expected in the near future, will provide the basis for the next steps in development for each project so we are looking at a very active remainder of 2021. Importantly, the studies will provide the details of what the investment case looks like for the projects which can then be communicated to the broader investment community.

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. The Company is in the process of finalizing a preliminary economic assessment study on the technical and economic aspects of a planned mine to battery anode material production.

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. The Company is in the process of finalizing a preliminary economic assessment study with the objective to maximize resource efficiency of the project whilst minimizing the local footprint of the project by incorporating technical advancements and valorisation of by-products.

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% Li₂O (lithium oxide) and ranged from 0.08% Li₂O to 2.3% Li₂O. 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 the sale of 100% of the project to CSE-listed United Lithium Corp. ("ULTH"). Conclusion of the sale of the project is subject to certain closing deliverables which the Company and ULTH is working towards.

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 Agenția Națională 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 April 30, 2021 is expected to be published on or about June 23, 2021.

Selected Financial Data

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

Three Months Ended	Fiscal 2021	Fiscal 2020				Fiscal 2019				
	January 31, 2021 \$	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	(664,675)	(882,556)	(420,959)	(337,609)	(375,930)	(409,297)	(561,771)	(571,749)	(850,681)	
Other items	(3,603)	327,987	(21,567)	20,187	(31,374)	(8,799,476)	27,101	46,864	1,602	
Comprehensive loss	(668,278)	(554,569)	(442,526)	(317,422)	(407,304)	(9,208,773)	(534,670)	(524,885)	(849,079)	
Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.09)	(0.01)	(0.01)	(0.01)	
Financial Position										
Working capital	2,598,191	3,277,010	3,354,422	499,883	711,727	132,551	518,129	929,183	1,438,895	
Total assets	28,759,753	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	(9,154,787)	(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 January 31, 2021 Compared to Three Months Ended October 31, 2020

During the three months ended January 31, 2021 ("Q1/2021") the Company reported a net loss of \$668,278 compared to a reported net loss of \$554,569 for the three months ended October 31, 2020 ("2020/Q4"), an increase in loss of \$113,709.

Three Months Ended January 31, 2021 Compared to Three Months Ended January 31, 2020

During the three months ended January 31, 2021 ("Q1/2021") the Company reported a net loss of \$668,278 compared to a net loss of \$407,304 for the three months ended January 31, 2020 ("Q1/2020"), for an increase in loss of \$260,974. The increase in loss was primarily attributed to increases in Research and Development, Directors and Officers Compensation, and Corporate Development expenses in Q1/2021.

Specific expenses of note during three months ended January 31, 2021 are as follows:

- (i) incurred \$109,664 (2020 - \$58,500) for directors and officer's compensation.
- (ii) incurred \$26,635 (2020 - \$28,389) 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.
- (iii) incurred a total of \$102,337 (2020 - \$71,279) for accounting and administration services and audit out of which \$30,767 (2020 - \$22,000) was incurred for accounting and administration services provided by Chase Management Ltd. ("Chase"), a private corporation controlled by Mr. DeMare, and the Company incurred \$7,880 (2020 - \$NIL) for accounting services of SKS Business Services along with \$12,304 (2020 - \$9,279) for bookkeeping and accounting services for subsidiary companies provided by other independent accountants;
- (iv) incurred research and development expenses of \$202,700 (2020 - \$17,528). The Company has increased research and development towards adding value to its projects such as the PEA on Woxna;
- (v) incurred \$77,512 (2020 - \$64,774) for salary and staff expenses.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During three months ended January 31, 2021 the Company reported interest and other income of \$5,423 compared to \$5,145 during the three months ended January 31, 2020.

During the three months ended January 31, 2021 the Company recorded a foreign exchange loss of \$10,632 due to changes in exchange rates compared to a loss of \$36,519 during three months ended January 31, 2020.

Financings

During the three months ended January 31, 2021 the company has issued 393,109 shares due to exercise of options by option holders for gross proceeds of \$79,863.

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, during fiscal 2020 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.

Property, Plant and Equipment

	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
Cost:						
Balance - October 31, 2019	81,147	287,018	344,139	7,567,878	8,835,639	17,115,821
Addition	-	-	-	-	2,591	2,590
Disposal	(65,053)	-	-	-	-	(65,053)
Adjustment to site restoration	-	-	-	-	(714,302)	(714,302)
Balance - October 31, 2020	16,094	287,018	344,139	7,567,878	8,123,928	16,339,057
Addition	-	-	-	-	-	-
Adjustment to site restoration	-	-	-	-	2,076,798	2,076,798
Disposal	-	-	-	-	-	-
Balance - January 31, 2021	16,094	287,018	344,139	7,567,878	10,200,726	18,415,855
Accumulated Depreciation:						
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)
Depreciation	(224)	(420)	(6,403)	-	-	(7,047)
Disposal	-	-	-	-	-	-
Balance - January 31, 2021	(2,830)	(262,137)	(121,918)	(3,910,218)	(5,000,000)	(9,279,103)
Carrying Value:						
Balance - October 31, 2020	13,488	25,301	228,624	3,657,660	3,123,928	7,049,001
Balance - January 31, 2021	13,264	24,881	222,221	3,657,660	3,123,928	9,118,752

Exploration and Evaluation Assets

	Graphite Concessions \$	Norra Karr \$	Bergby \$	Total \$
Balance at October 31, 2019	<u>14,787</u>	<u>15,798,665</u>	<u>413,269</u>	<u>16,226,721</u>
Exploration costs				
Geological	-	6,102	436	6,538
Preliminary economic assessment	-	77,411	-	77,411
Permitting	-	10,339	-	10,339
	<u>-</u>	<u>93,852</u>	<u>436</u>	<u>94,288</u>
Acquisition costs				
Mining rights	-	-	11,846	11,846
Recovery	-	-	-	-
	<u>-</u>	<u>-</u>	<u>11,846</u>	<u>11,846</u>
Balance at October 31, 2020	<u>14,787</u>	<u>15,892,517</u>	<u>425,551</u>	<u>16,332,855</u>
Exploration costs				
Geological	-	-	2,786	2,786
Permitting	-	16,005	10,227	26,233
Preliminary economic assessment	-	89,590	-	89,590
	<u>-</u>	<u>105,594</u>	<u>13,014</u>	<u>118,609</u>
Acquisition costs				
Mining rights	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at January 31, 2021	<u>14,787</u>	<u>15,998,111</u>	<u>438,565</u>	<u>16,451,464</u>

Financial Condition / Capital Resources

During the three months ended January 2021 the Company recorded a net loss of \$668,278, as at January 31, 2021 the Company had an accumulated deficit of \$40,561,830 and working capital of \$2,598,191. 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

There is no change in accounting policy during the three months ended January 31, 2021.

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 three months ended January 31, 2021 and 2020 the following compensation was incurred:

	2021 \$	2020 \$
Mr. Filip Kozlowski, CEO and former director ⁽¹⁾	79,664	7,500
Mr. Nick DeMare, CFO and Corporate Secretary ⁽²⁾	7,500	7,500
Mr. Lars-Eric Johansson, Chairman and director ⁽¹⁾	7,500	-
Mr. Eric Krafft, director ⁽¹⁾	7,500	-
Mr. Daniel Major, director ⁽¹⁾	7,500	-
Mr. Mark Saxon, former interim CEO, President and director ⁽¹⁾⁽³⁾	-	36,000
Mr. Michael Hudson, former director ⁽¹⁾	-	7,500
	<u>109,664</u>	<u>58,500</u>

(1) On May 4, 2020 the Company announced changes to the Board of Directors and senior Management. Messrs. Hudson, Saxon and Kozlowski resigned as Directors and Messrs. 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 ex CFO, was appointed as Corporate Secretary on April 30, 2018.

(3) Mr. Sanjay Swarup of SKS Business Services has been appointed as new CFO from March 1, 2021.

(b) During the three months ended January 31, 2021 the Company incurred \$30,651 (2020 - \$22,000) to Chase, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and \$1,340 (2020 - \$1,005) for rent. During the three months ended January 31, 2021, the Company incurred \$7,880 (2020 - \$NIL) for accounting services of SKS Business Services.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 25, 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.