



LEADING EDGE MATERIALS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
JULY 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	July 31, 2021 \$	October 31, 2020 \$
ASSETS			
Current assets			
Cash		1,424,291	3,361,424
GST/VAT receivables		41,664	43,895
Amounts receivable	4	263,379	-
Prepaid expenses		34,373	55,775
Investments	5	1,100,471	74,143
Inventory		90,267	92,452
Plant stores and supplies		97,652	100,015
Total current assets		3,051,636	3,727,704
Non-current assets			
Exploration and evaluation assets	6	16,278,171	16,332,855
Property, plant and equipment	7	9,019,413	7,049,001
Reclamation deposit	8	105,928	108,492
Total non-current assets		25,403,512	23,490,348
TOTAL ASSETS		28,455,148	27,218,052
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		247,733	450,694
Total current liabilities		247,733	450,694
Non-current liabilities			
Provision for site restoration	8	8,473,176	6,458,606
Property acquisition obligation	6(a), 7	581,200	595,268
Total non-current liabilities		9,054,376	7,053,874
TOTAL LIABILITIES		9,302,109	7,504,568
SHAREHOLDERS' EQUITY			
Share capital	9	56,386,871	56,291,523
Share issue costs		(2,872,173)	(2,872,173)
Share-based payments reserve	9(d)	6,187,686	6,187,686
Deficit		(40,549,345)	(39,893,552)
TOTAL SHAREHOLDERS' EQUITY		19,153,039	19,713,484
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		28,455,148	27,218,052

Nature of Operations and Going Concern - Note 1

Events after the Reporting Period - Note 14

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

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

	Note s	Three Months Ended July 31,		Nine Months Ended July 31,	
		2021 \$	2020 \$	2021 \$	2020 \$
Expenses					
Accounting and administration	10(b)	31,151	22,396	109,984	73,453
Accretion of provision for site restoration	8	7,891	1,942	23,673	5,826
Audit		9,770	-	72,911	48,953
Bank charges		927	606	2,694	2,394
Conferences		16,147	-	21,916	8,897
Corporate Development		31,021	11,494	84,505	28,694
Depreciation	7	6,553	5,932	20,486	18,395
Directors and officer's compensation	10(a)	96,471	123,471	312,151	240,471
Environmental		15,865	11,856	50,735	45,643
Fuel, electricity and utilities		22,706	11,701	80,835	57,235
General exploration		2,930	2,212	10,732	6,091
Insurance		4,513	4,007	13,732	14,428
Legal		90,985	44,354	121,166	51,890
Office		13,639	16,562	33,133	41,317
Plant maintenance		6,299	4,684	17,613	41,356
Plant supplies and consumables		13,389	5,958	27,859	18,005
Regulatory		33,408	10,237	83,369	67,930
Research and development		96,311	10,442	336,312	32,602
Salaries, compensation and benefits		78,034	99,539	248,265	243,634
Shareholder costs		8,410	14,303	25,410	35,725
Transfer agent		14,111	19,263	51,172	31,578
Travel		-	-	47	19,981
		<u>600,531</u>	<u>420,959</u>	<u>1,748,700</u>	<u>1,134,498</u>
Loss before other items		<u>(600,531)</u>	<u>(420,959)</u>	<u>(1,748,700)</u>	<u>(1,134,498)</u>
Other items					
Interest income		2,880	11,573	11,999	18,937
Other Income		300	-	22,478	-
Foreign exchange		(58,430)	(33,140)	7,982	(64,335)
Mark to market adjustment loss		(430,315)	-	(430,315)	-
Gain on sale of property		-	-	1,472,255	-
Gain on disposal of capital assets		8,508	-	8,508	12,644
		<u>(477,057)</u>	<u>(21,567)</u>	<u>1,092,907</u>	<u>(32,754)</u>
Net Profit (Loss) and comprehensive loss		<u>(1,077,588)</u>	<u>(442,526)</u>	<u>(655,793)</u>	<u>(1,167,252)</u>
Loss per share - basic and diluted					
		<u>(\$0.01)</u>	<u>(\$0.00)</u>	<u>(\$0.00)</u>	<u>(\$0.01)</u>
Weighted average number of common shares outstanding					
		<u>146,960,500</u>	<u>114,111,835</u>	<u>146,881,523</u>	<u>110,082,208</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)

Nine Months Ended July 31, 2021					
	Share Capital		Share- Based Payments Reserve	Deficit	Total Equity
	Number of Shares	Amount \$			
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	493,109	95,348	-	-	95,348
Net profit (loss) for the period	-	-	-	(655,793)	(655,793)
Balance at July 31, 2021	146,960,500	53,514,698	6,187,686	(40,549,345)	19,153,039

Nine Months Ended July 31, 2020					
	Share Capital		Share-Based Payments Reserve	Deficit	Total Equity
	Number of Shares	Amount \$			
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	-	-	-	(724,726)	(724,726)
Balance at July 31, 2020	113,667,391	49,845,327	5,837,686	(38,896,457)	16,786,556

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)

	Nine Months Ended July 31,	
	2021	2020
	\$	\$
Operating activities		
Net Profit (Loss) for the period	(655,793)	(1,167,252)
Adjustments for:		
Accretion of provision for site restoration	23,673	5,826
Depreciation	20,486	18,395
Foreign exchange	(6,957)	37,476
Mark to market adjustment loss	430,315	-
Gain on sale of property	(1,472,255)	-
Gain on disposal of property, plant and equipment	(8,508)	(12,644)
Changes in non-cash working capital items:		
Amounts receivable	(58,743)	282
GST/VAT receivables	2,231	12,779
Prepaid expenses and other	21,403	(58,418)
Accounts payable and accrued liabilities	(202,961)	51,992
Net cash used in operating activities	<u>(1,907,109)</u>	<u>(1,111,564)</u>
Investing activity		
Additions to property, plant and equipment	-	(2,590)
Proceeds on disposal of property, plant and equipment	8,508	12,644
Proceeds on disposal of mine	250,000	-
Expenditures on exploration and evaluation assets	(383,880)	(23,719)
Net cash used in investing activity	<u>(125,372)</u>	<u>(13,665)</u>
Financing activities		
Issuance of common shares	95,348	1,088,000
Share subscriptions received	-	3,286,800
Share issue costs	-	(37,342)
Net cash provided by financing activities	<u>95,348</u>	<u>4,329,959</u>
Net change in cash	(1,937,133)	3,204,730
Cash at beginning of period	<u>3,361,424</u>	<u>395,609</u>
Cash at end of period	<u>1,424,291</u>	<u>3,600,339</u>

Supplemental cash flow information - See Note 12

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 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) 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", on NASDAQ First North under the symbol "LEMSE" and on Frankfurt under the symbol "7FL". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

During the nine months ended July 31, 2021 the Company recorded a net loss of \$655,793 and, as at July 31, 2021, the Company had an accumulated deficit of \$40,549,345 and working capital of \$2,803,903. 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 and development 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2021**

(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:

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%
GREENNA Mineral AB (Formerly "Tasman Metals AB")	Sweden	100%
LEM Resources SRL ("LEM Romania")	Romania	51%

4. Amounts Receivable

The amounts receivable of the Company are as follows:

Particulars	July 31, 2021 \$	October 31, 2020 \$
Cash consideration receivable	250,000	-
Other receivable	13,379	-
Total	263,379	-

The cash consideration is due to be received on October 29, 2021, as a part of total consideration received against sale of Bergby project (see note 6(c)).

5. Investments

Investments held by the company are as follows:

Particulars	July 31, 2021 \$	October 31, 2020 \$
Shares in United Lithium Corp.	718,010	-
Warrants in United Lithium Corp.	255,214	-
Other investments	126,786	74,143
Total	1,100,010	74,143

The investment in United Lithium Corp will be revalued with level 1 input at each reporting period. The value of warrants was determined using the Black-Scholes pricing model, the value was calculated based on risk-free rate of 0.73%, expected stock volatility of 204% and forfeiture rate of 0.0%.

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

6. Exploration and Evaluation Assets

	As at July 31, 2021			As at October 31, 2020		
	Acquisition	Deferred	Total	Acquisition	Deferred	Total
	Costs	Exploration		Costs	Exploration	
	\$	\$	\$	\$	\$	\$
Graphite Concessions	10,081	4,706	14,787	10,081	4,706	14,787
Norra Kärr	15,402,622	860,762	16,263,384	15,402,622	489,895	15,892,517
Bergby	-	-	-	66,579	358,972	425,551
	15,412,703	865,468	16,278,171	15,479,282	853,573	16,332,855

	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
	-	93,852	436	94,288
Acquisition costs				
Mining rights	-	-	11,846	11,846
	-	-	11,846	11,846
Balance at October 31, 2020	14,787	15,892,517	425,551	16,332,855
Exploration costs				
Geological	-	-	2,786	2,786
Permitting	-	24,621	10,227	34,848
Preliminary economic assessment	-	346,246	-	346,246
Sale of property	-	-	(438,564)	(438,564)
Balance at April 30, 2021	14,787	16,195,421	-	16,278,171

(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").

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2021**

(Unaudited - Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

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 7.

(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. In May 2021, the Norra Kärr Mining lease application was rejected by the Mining Inspectorate of Sweden, subsequently the company has made an appeal against this decision to the Government of Sweden.

(c) *Bergby*

On April 29, 2021, the company completed the sale to United Lithium Corp. (ULTH) of 100% of the issued and outstanding share capital of Bergby Lithium AB ("Bergby"). In consideration for the shares of Bergby, the Company's wholly owned subsidiary, GREENNA Mineral AB as the owner of the Bergby shares, received from ULTH:

- CAD 250,000 in cash;
- 1,031,864 common shares in the capital of ULTH.
- 400,000 common share purchase warrants, with each Warrant entitling Tasman Metals to acquire, for a period of 36 months from the closing date of the Transaction, one common share in the capital of ULTH. at an exercise price equal to approximately CAD 0.485; and
- a 2% net smelter returns royalty on the Project, which is subject to a buyback right in favor of ULTH, exercisable for CAD 1,000,000.

The ULTH Shares are escrowed and will be released in tranches over a 20-month period. ULTH shall also pay an additional CAD 250,000 in cash on October 29, 2021.

(d) *Romania Exploration Alliance*

In fiscal 2017 the Company and REMAT Group Management SRL ("REMAT") agreed to pursue the investigation and initiation of a prospecting permit application over the Bihor Sud perimeter in 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.

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

6. Exploration and Evaluation Assets (continued)

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.

7. 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	-	-	-	-	1,990,898	1,990,898
Balance at July 31, 2021	16,094	287,018	344,139	7,567,878	10,114,826	18,329,955
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	(651)	(1,222)	(18,613)	-	-	(20,486)
Balance at July 31, 2021	(3,257)	(262,939)	(134,128)	(3,910,218)	(5,000,000)	(9,310,542)
Carrying Value:						
Balance at October 31, 2020	13,488	25,301	228,624	3,657,660	3,123,928	7,049,001
Balance at July 31, 2021	12,837	24,079	210,011	3,657,660	4,688,864	9,019,413

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2021**

(Unaudited - Expressed in Canadian Dollars)

7. Property, Plant and Equipment (continued)

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 July 31, 2021 the Company has recognized \$581,200 (October 31, 2020 - \$595,268) for the Property Acquisition Obligation associated with the Kringelgruvan concession, as described in Note 6(a)(i).

8. 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 0.12% (2020 - 0%) and an inflation factor of 2.0% (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	736,611
Balance at October 31, 2020	6,458,606
Accretion	23,673
Revision of estimates	2,140,711
Foreign exchange adjustment	(149,814)
Balance at July 31, 2021	<u>8,473,176</u>

As at July 31, 2021 reclamation deposits totaling \$105,928 (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 July 31, 2021 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

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

9. 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**

Nine Months Ended July 31, 2021

During the period ended July 31 2021, 493,109 options were exercised at an average price of \$0.19 per share for gross proceeds of \$95,348.

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.
- 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.
- iii. 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.

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at July 31, 2021 and 2020 and the changes for the nine 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
Exercised	-	-	(800,000)	0.10
Expired	-	-	(7,736,740)	0.75
Balance end of period	55,277,855	0.19	23,227,855	0.17

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9. Share Capital (continued)

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at July 31, 2021:

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>	<u>0.20</u>	August 7, 2024
<u>55,277,855</u>	<u>0.19</u>	

(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 nine months ended July 31, 2021.

During the nine months ended July 31, 2021, 493,109 options were exercised at an average price of \$0.19 per share for gross proceeds of \$95,348.

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 July 31, 2021 and 2020 and the changes for the nine 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	<u>(493,109)</u>	0.19	<u>-</u>	-
Balance end of period	<u>9,515,000</u>	0.34	<u>7,163,109</u>	0.44

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The following table summarizes information about the share options outstanding and exercisable at July 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
3,400,000	0.155	August 11, 2023
<u>150,000</u>	0.33	August 14, 2023
<u>9,515,000</u>		

10. 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 nine months ended July 31, 2021 and 2020 the following compensation was incurred:

	2021 \$	2020 \$
Directors and officer's compensation (current and former)	<u>312,151</u>	<u>117,000</u>

As at July 31, 2021, \$51,222 (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 nine months ended July 31, 2021, the Company incurred \$31,901 (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 nine months ended July 31, 2021 the Company incurred \$36,099 (2020 - \$33,550) for services provided by Chase personnel, exclusive of the CFO, and \$1,675 (2020 - \$2,010) for rent. As at July, 2021, \$NIL (October 31, 2020 - \$5,835) remained unpaid.

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11. 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	July 31, 2021 \$	October 31, 2020 \$
Cash	FVTPL	1,424,291	3,361,424
Amounts receivable	amortized cost	263,379	-
Reclamation deposit	amortized cost	105,928	108,492
Investments	FVTPL	1,100,010	74,143
Accounts payable and accrued liabilities	amortized cost	(247,733)	(450,694)
Property acquisition obligation	amortized cost	(581,200)	(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 marketplace.

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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11. Financial Instruments and Risk Management (continued)

Contractual Maturity Analysis at April 30, 2021

	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	1,424,291	1,424,291	1,424,291	-	-
Amounts receivable	263,379	263,379	-	263,379	-
Reclamation deposit	105,928	105,928	-	-	105,928
Investments	1,100,010	1,100,010	-	1,100,010	-
Accounts payable and accrued liabilities	(247,733)	(247,733)	(247,733)	-	-
Property acquisition obligation	(581,200)	(581,200)	-	(581,200)	-

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 July 31, 2021, 1 Canadian Dollar was equal to 6.88 SEK as per Swedish Central Bank.

Balances are as follows:

	SEK	CDN \$ Equivalent
Cash	936,270	136,040
VAT receivable	1,874,012	272,294
Inventories	621,246	90,267
Plant stores and supplies	672,072	97,652
Reclamation deposit	729,030	105,928
Accounts payable and accrued liabilities	(880,833)	(127,985)
Property acquisition obligation	<u>(4,000,000)</u>	<u>(581,200)</u>
	<u>(48,203)</u>	<u>(7,004)</u>

Based on the net exposures as of July 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 impact being approximately \$700 higher or lower.

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11. 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.

12. Supplemental Cash Flow Information

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

	2021 \$	2020 \$
Operating activity		
Provision for site restoration	1,990,898	(289,366)
Investing activity		
Revisions of estimates on property, plant and equipment	(1,990,898)	289,366

13. 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 July 31, 2021			
	Corporate Canada \$	Mineral Operations Sweden \$	Mineral Operations Romania \$	Total \$
Current assets	1,467,545	1,583,628	463	3,051,636
Exploration and evaluation assets	-	16,278,171	-	16,278,171
Property, plant and equipment	-	9,019,413	-	9,019,413
Reclamation deposit	-	105,928	-	105,928
	<u>1,467,545</u>	<u>26,987,140</u>	<u>463</u>	<u>28,455,148</u>

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13. **Segmented Information** (continued)

	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>

14. **Events after the Reporting Period**

No material events after the Reporting Period.



LEADING EDGE MATERIALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED JULY 31, 2021

This discussion and analysis of financial position and results of operation is prepared as at September 27, 2021 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended July 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 Canadian 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 Woxna project has never defined a mineral reserve. The Woxna project has never defined a mineral reserve. On June 9, 2021, Leading Edge announced the results of an independent preliminary economic assessment for the development of Woxna (the "2021 Woxna PEA"), the full details of which are included in a technical report entitled "NI 43-101 Technical Report – Woxna Graphite" prepared for Woxna Graphite AB with effective date June 9, 2021 and issue date July 23, 2021, available on Leading Edge's website www.leadingedgematerials.com and under its SEDAR profile www.sedar.ca. The 2021 Woxna PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. On July 22, 2021, Leading Edge announced the results of an independent preliminary economic assessment for the development of Norra Karr (the "2021 Norra Karr PEA"), the full details of which are included in a technical report titled "PRELIMINARY ECONOMIC ASSESSMENT OF NORRA KARR RARE EARTH DEPOSIT AND POTENTIAL BY-PRODUCTS, SWEDEN" prepared for Leading Edge Materials Corp. with effective date August 18, 2021 and issue date August 19, 2021, available on Leading Edge's website www.leadingedgematerials.com and under its SEDAR profile www.sedar.ca. The 2021 Norra Karr PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. 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", on the Nasdaq First North, trading under the symbol "LEMSE" and on Frankfurt under the symbol "7FL". 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) 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 July 31, 2021, the Company:

- On May 5, 2021, the Mining Inspectorate of Sweden decided to reject the mining lease application for the Norra Karr project. The Company subsequently appealed this decision to the Government of Sweden.
- The Company announced on June 9, 2021, positive preliminary economic assessment results for its Woxna graphite anode project with US\$317/US\$248 million pre/post-tax NPV and 42.9%/37.4% pre/post-tax IRR.
- On June 21, 2021, the Company announced preliminary life cycle assessment results on the Woxna Graphite project demonstrating potential 90% lower carbon footprint compared with currently dominating Chinese supply alternatives for the production of graphite anode materials.
- On July 22, 2021, the Company announced positive preliminary economic assessment results for its Norra Karr REE project with pre- and post-tax Net Present Value (NPV) of \$1,026M and \$762M using a 10% discount rate and pre- and post-tax Internal Rate of Return (IRR) of 30.8% and 26.3%.
- The Company filed the technical report entitled "NI 43-101 Technical Report – Woxna Graphite" prepared for Woxna Graphite AB with effective date June 9, 2021 and issue date July 23, 2021, available on Leading Edge's website www.leadingedgematerials.com and under its SEDAR profile www.sedar.ca.
- The company changed the name of its Swedish subsidiary owning the Norra Karr HREE project from Tasman Metals AB to GREENNA Mineral AB.
- The Company's dormant Finnish subsidiary ACP Akku Oy was dissolved.

Subsequent to July 31, 2021, the Company:

- The Company filed the technical report titled "PRELIMINARY ECONOMIC ASSESSMENT OF NORRA KARR RARE EARTH DEPOSIT AND POTENTIAL BY-PRODUCTS, SWEDEN" prepared for Leading Edge Materials Corp. with effective date August 18, 2021 and issue date August 19, 2021, available on Leading Edge's website www.leadingedgematerials.com and under its SEDAR profile www.sedar.ca.

Outlook

The Company's projects are linked to disruptive 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. An IPCC report on climate science made a loud warning to the world that closing the 2030 emissions gap is crucial if there should be any chance of limiting warming to 1.5C¹. Europe launched its "fit for 55" programme targeting a series of measures with the goal to cut emissions by at least 55% by 2030 compared with 1990 levels². As global leaders are preparing to gather for the COP26 meeting one can expect further announcements on ambitious goals, all strengthening the case for technologies and industries that enable the transition. Carbon emissions trading in the EU made new highs above €60 per tonne. Industry is taking note with continues announced plans to shift to more climate friendly production and product offerings.

With recent announcements from example Mercedes that they are entering a battery production collaboration with Stellantis and Total targeting more than 120 GWh capacity by end of this decade³, European future demand for anode material is continuing to increase. As of August 2021, announced battery cell production capacity in Europe by 2030 stands at 965 GWh, now overshooting expected 2030 demand at 874 GWh⁴. This means expected demand for anode material by 2030 is somewhere around 1,000,000 tonnes, leaving the question where this material is going to be sourced from. Echoing past comments by Volkswagen

¹ https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Full_Report.pdf

² <https://www.consilium.europa.eu/en/policies/eu-plan-for-a-green-transition/>

³ <https://www.stellantis.com/en/news/press-releases/2021/september/stellantis-and-totalenergies-welcome-mercedes-benz-as-new-partner-of-acc>

⁴ <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/why-the-automotive-future-is-electric>

that they “need to get actively involved in the raw materials business”⁵, Ford CEO Jim Farley recently proclaimed that their “supply chain has to go all the way to the mines” to solve the issue of battery supply and minerals⁶.

Signs of demand driven price squeezes in lithium and uranium have attracted fresh investor interest to look at other raw materials that enable a low carbon footprint energy system. Continued shipping disruptions is starting to have an impact on graphite prices sold in Europe with the gap incrementally widening against China prices. Fastmarkets recently reported that soaring costs and strong demand is also starting to push up prices for spherical purified graphite⁷. Supply disruptions is also impacting REE prices where the border between Myanmar and China, has hindered trade flow which normally supports 50% of China’s heavy-REE feedstocks with no sign of resolution in the near-term⁸. With an increasing interest from a new set of investors that are starting to look at battery raw materials and rare earth elements as a means to get exposure to the green transition, the Company is getting more active in participating in investor conferences across Europe and North America to raise awareness of our portfolio of projects.

On the policy side Sweden’s social democratic party leading the government announced that the party is looking to take a political stance that more mines need to open in Sweden to support the green transition⁹. The EU, through the European Raw Materials Alliance, is shortly expected to announce a “A European Call for Action” to support the development of a European integrated value-chain for rare earth magnets and motors¹⁰. Meanwhile the leaders of the “Quad” nations, United States, India, Japan and Australia held a meeting to discuss co-operation to reduce China’s dominance over the rare-earth element supply¹¹. Separately, the U.S. Department of Commerce Announced a Section 232 Investigation into the effect of imports of neodymium magnets on U.S. national security¹². China on its side announced a strategic restructuring of two of the major state-owned companies in the medium-heavy rare earth sector to create a “super-group” to promote a healthy development of the rare-earth industry and deal with price abnormalities¹³. The geopolitics around the rare-earth industry is never a dull moment, but recent developments indicates that the rest of the year could be unusually eventful.

Having concluded the two preliminary economic assessments for Woxna Graphite and Norra Karr these now form the basis for the work with the projects going forward. For Woxna this means planning for capacity to produce larger amounts of sample material to further qualify this towards possible future customers in Europe. For Norra Karr the immediate focus is to utilize the new design of the project and use this as the new basis for gaining positive momentum on the mining lease application. In parallel we are continuing to be active participants in important public forums such as the European Raw Materials Alliance.

A confluence of important factors that underpin the Company’s strategy are all moving in the right direction at the moment and our projects are well positioned to benefit from this environment over the near future.

⁵ <https://www.handelsblatt.com/unternehmen/industrie/interview-vw-vorstand-ueber-moeglichen-ipo-des-batteriegeschaefts-wir-schliessen-zunaechst-nichts-aus/27242244.html>

⁶ <https://eu.detroitnews.com/story/business/autos/ford/2021/09/25/ford-ceo-urges-making-evs-more-affordable-bringing-mining-back-us/5852516001/>

⁷ <https://www.indmin.com/Article/4008973/Graphite-PricingNews/GLOBAL-GRAPHITE-SNAPSHOT-Soaring-costs-strong-demand-drive-up-spherical-prices.html>

⁸ <https://roskill.com/news/rare-earths-china-rare-earth-compounds-supply-chain-break-off/>

⁹ <https://nsd.se/nyheter/artikel/lofven-klargor-s-linjen--fler-gruvor-ska-oppnas/jv9v4d7l>

¹⁰ https://twitter.com/EU_ERMA/status/1440956049373155332

¹¹ <https://amp.smh.com.au/world/north-america/quad-leaders-unite-to-weaken-chinese-dominance-over-rare-earth-minerals-20210924-p58ukq.html>

¹² <https://www.commerce.gov/news/press-releases/2021/09/us-department-commerce-announces-section-232-investigation-effect>

¹³ <https://www.globaltimes.cn/page/202109/1235016.shtml>

Projects Overview

Woxna Graphite Anode Project

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.

On June 9, 2021, the Company announced preliminary economic assessment results for a vertically integrated mine to anode material production, the full details subsequently included in the technical report entitled "NI 43-101 Technical Report – Woxna Graphite" prepared for Woxna Graphite AB with effective date June 9, 2021 and issue date July 23, 2021, available on Leading Edge's website www.leadingedgematerials.com and under its SEDAR profile www.sedar.ca. The main results are the following where all figures are US dollars unless otherwise specified;

Main PEA Highlights

- The PEA indicates the potential viability of a Swedish operation producing battery grade graphite anode material utilizing an existing graphite mine and concentrator with the addition of a value-add processing facility offsite;
- The proposed process route in the PEA uses a thermal purification process which, combined with access to low cost hydropower offers a low carbon footprint for the Project to be further demonstrated in an upcoming life cycle assessment (LCA) report. The PEA also focused on improved waste management process for tailings further improving the sustainability ambitions of the Project;
- The Report shows a financially robust Project with average annual EBITDA of \$49m and a pre-tax Internal Rate of Return (IRR) of 42.9%;
- The PEA utilizes one out of four deposits currently owned by Woxna under granted exploitation concessions, where two of the other deposits also have indicated and inferred mineral resource estimates offering potential upside for further expansion in future development or studies;

Project Financial Highlights

- Pre- and post-tax Net Present Value (NPV) of \$317m and \$248m using an 8% discount rate Pre- and post-tax IRR of 42.9% and 37.4% Accumulated project revenues of \$1,425m
- Average annual EBITDA of \$49m
- Initial Capital Expenditures (CAPEX) of \$121m
- Pre-tax Payback Period from first production of 2.24 years
- Operating cost per tonne of coated spherical purified graphite (CSPG) of \$2,519 after revenue credit from micronized graphite product

Operational Highlights

- Life of Project (LOP) is 19 years
- Life of Mine (LOM) is 15 years
- LOM average annual plant feed of 159,967 tonnes
- LOM average annual CSPG product 7,435 tonnes
- LOM average annual micronized graphite product 8,421 tonnes
- LOM average strip ratio of 3.7:1

Mineral Resource Estimate – Measured and Indicated

Property	Classification of Mineral Resource	Tonnes (Mt)	Grade C (%)
Kringel	Measured	0.96	9.21
	Indicated	1.65	9.09
	Sub-total Measured + Indicated	2.61	9.13
Gropabo	Indicated	2.33	7.72
Mattsmyra		5.83	7.14
Total	Measured + Indicated	10.77	7.75

Mineral Resource Estimate – Inferred

Property	Classification of Mineral Resource	Tonnes (Mt)	Grade C (%)
Kringel	Inferred	0.39	8.72
Gropabo		0.61	8.07
Mattsmyra		1.51	8.06
Total	Inferred	2.51	8.16

Source: ReedLeyton 2021

Notes:

- Inconsistencies in totals are due to rounding;
- 4% Cg mill cut-off grade applied for reporting purposes constrained within the MPlan 2021 pitshell;
- Reported according to CIM Definition Standards 2011;
- Reported according to CIM Mineral Exploration Best Practice Guidelines (Nov 2018);
- No geological losses applied;
- Default Density of 2.7 t/m³ applied to in situ, then Density of 2.82 t/m³ applied to Type A Graphite and Density of 2.86 t/m³ applied to Type B Graphite for Gropabo and Mattsmyra; and Default Density for Kringel remained at 2.7 t/m³;
- The previous Mineral Resource Estimates for the Project were developed without the constraint of an applied mine plan and open-pit shell. In the light of more rigorous compliance requirements, the Mineral Resources were reported by ReedLeyton within the constraints of the PEA mine plan as a means of demonstrating “reasonable prospects for economic extraction” as required by numerous international reporting codes. No new exploration data was included in the reporting process;
- Effective date of Mineral Resource Estimate is June 9, 2021; and
- Mineral resources are not mineral reserves and do not have demonstrated economic viability;

The PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized.

On June 21, 2021, preliminary life cycle assessment results were announced showing that the production of 1 tonne of natural graphite anode material (coated spherical purified graphite (“CSPG”) from natural graphite extracted at the Woxna Graphite mine is forecast to have an impact of 1.8 tonnes CO₂ eq. Minviro applied the same methodology in the report to evaluate current Chinese natural and synthetic graphite anode material, with Woxna CSPG demonstrating an 85% to 90% lower impact than the current market dominant Chinese alternatives. A significant factor influencing the dramatically reduced carbon footprint for Woxna Graphite is the access to hydropower as the main electricity source.

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 acquired by the Company 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.

In August 2020 the Company commissioned SRK Consulting (UK) Limited ("SRK") to produce a PEA study to propose a new design of the Norra Karr project with the objective to maximize resource utilization and minimize potential environmental footprint.

On July 22, 2021, the Company announced PEA results for Norra Karr, the full details subsequently included in the technical report titled "PRELIMINARY ECONOMIC ASSESSMENT OF NORRA KARR RARE EARTH DEPOSIT AND POTENTIAL BY-PRODUCTS, SWEDEN" prepared for Leading Edge Materials Corp. with effective date August 18, 2021 and issue date August 19, 2021, available on Leading Edge's website www.leadingedgematerials.com and under its SEDAR profile www.sedar.ca. The main results are the following where all figures are US dollars unless otherwise specified;

Main PEA Highlights (In comparison to the 2015 PFS)

- Significant increase in resource utilization by proposing recovery of nepheline syenite (NS) industrial mineral, zirconium oxide (Zr) and niobium oxide (Nb) products in addition to the rare earth oxide ("REO") products. In the PEA more than 50% of total mined material is planned to be sold as products compared with previously less than 1% in the 2015 PFS. The PEA also identifies future opportunities to valorize the residual mined material which could potentially result in all mineralized material mined to be treated as potential commercial products.
- Introducing a revised Project flowsheet to minimize the environmental footprint at the Norra Karr site:
 - The Norra Karr site will only include mining and comminution methods consisting of crushing, milling and magnetic separation, eliminating all chemical processing from Norra Karr and associated waste vs the 2015 PFS study. In the PEA following physical separation resulting material streams either are shipped as products or as concentrates for further processing at other locations and a single waste stream to be stored at the Norra Karr site.
 - The rare earth, zirconium and niobium bearing concentrate will be transported to a dedicated off-site location for chemical processing and further recovery.
- The combination of the above, results in a single waste stream at the Norra Karr site consisting of the mineral aegirine which can be dry stacked in a lined impoundment together with waste rock from mining, eliminating the need for a wet tailings storage facility. This new design substantially reduces land area usage of the Project by approximately 80% (see Figure 1) and results in no chemical process tailing dams being required at Norra Karr. These changes considerably reduce the environment risk profile of the Project at Norra Karr.
- In addition, the removal of chemical processing and wet tailings at Norra Karr delivers an overall predicted 51% reduction in water requirements over the life of mine vs the 2015 PFS study. Use of mine dewatering for processing can reduce additional water requirements by almost 100% and the elimination of discharge requirements to local water bodies compared with the 2015 PFS design.
- The PEA introduces the design of an off-site chemical recovery plant located close to reagent supplies within an existing brownfield development area where mixed REO (MREO), Zr and Nb products are planned to be recovered. Residual process waste at the off-site facility consists of neutralized leach residue and gypsum disposed of in geomembrane lined dry stack impoundments. The Report identifies the future potential to further process the gypsum waste into a gypsum product for construction material markets.

Project Financial Highlights

- Pre- and post-tax Net Present Value (NPV) of \$1,026M and \$762M using a 10% discount rate
- Pre- and Post-tax Internal Rate of Return (IRR) of 30.8% and 26.3%
- Accumulated LoM project revenues of \$9,962M
- Average annual EBITDA of \$206M
- Initial Capital Expenditures (CAPEX) of \$487M
- Pre-tax Payback Period from first production of 5.1 years
- Life of mine average gross basket price per kg of separated mixed REO product at \$53
- Operating cost per kg of separated mixed REO product at \$33 including toll separation charges
- By-product revenue per kg of separated mixed REO product \$19
- Operating cost per kg of separated mixed REO product including toll separation charges and after by-product credit at \$14.57.

Operational Highlights

- Life of Mine (LOM) is 26 years
- LOM average annual
 - Mining rate of 1,150,000 tonnes
 - Strip ratio of 0.32
 - TREO 5,341 tonnes
 - Main magnet rare earth oxides ("MagREO") (Nd, Pr, Dy, Tb) 1,005 tonnes
 - Dy₂O₃: 248 tonnes
 - Tb₂O₃: 36 tonnes
 - Nd₂O₃: 578 tonnes
 - Pr₂O₃: 143 tonnes
 - Nepheline Syenite by-product 732,885 tonnes
 - Zirconium dioxide by-product 10,200 tonnes
 - Niobium oxide by-product 525 tonnes

The Norra Karr deposit average concentration of uranium and thorium based on 9987 samples are extremely low (U 11.4 ppm and Th 10.9 ppm), especially compared with other REE deposits. The various material streams from the new design of the Project have not been tested for radionuclide content. However previous testwork, on both material and waste streams conclude that amounts of uranium and thorium, activity concentrations and indexes would likely fall below thresholds of radioactivity as per the definition of a radioactive substance by the International Atomic Energy Agency (IAEA) and EU guidelines (ANSTO, 2014).

SRK conducted a hazardous waste assessment through HazWasteOnline™ as part of the PEA to determine whether the waste materials contain any hazardous properties. The assessment uses the multi-element assays for the composites and average assays per material type for the 65 waste rock samples plus calculated weighted averages. Based on the project geochemistry the waste rock is classified as non-hazardous, non-inert by the Swedish Waste Ordinance (SFS 2020:614).

Norra Karr Mineral Resource Statement (SRK, 18 August 2021)*

Mineral Resource Classification	Tonnes (Mt)	TREO (%)	ZrO ₂ (%)	Nb ₂ O ₅ (%)	Nepheline Syenite (%)
Inferred	110	0.5	1.7	0.05	65

*Notes:

1. Effective date 18 August 2021.
2. Qualified Person Mr Martin Pittuck MSc C.Eng
3. Mineral Resources are not Mineral Reserves until they have Indicated, or Measured confidence and they have modifying factors applied and they have demonstrated economic viability based on a Feasibility Study or Prefeasibility Study.
4. There is no guarantee that Inferred Mineral Resources will convert to a higher confidence category after future work is conducted.
5. The Mineral Resources reported have been constrained using an open pit shell assuming the deposit will be mined using open pit bulk mining methods and above a cut-off grade of USD150/t, including a 30% premium on projected commodity prices and unconstrained by commodity production rates and the 260m highway buffer zone.

6. The Mineral Resources reported represent estimated contained metal in the ground and has not been adjusted for metallurgical recovery.
7. Total Rare Earth Oxides (TREO) includes: La₂O₃, Ce₂O₃, Pr₂O₃, Nd₂O₃, Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₂O₃, Dy₂O₃, Ho₂O₃, Er₂O₃, Tm₂O₃, Yb₂O₃, Lu₂O₃, Y₂O₃.
8. Heavy Rare Earth Oxides (HREO) include: Eu₂O₃, Gd₂O₃, Tb₂O₃, Dy₂O₃, Ho₂O₃, Er₂O₃, Tm₂O₃, Yb₂O₃, Lu₂O₃, Y₂O₃
9. HREO is 52% of TREO

Norra Karr Rare Earth Element Distribution

Light REO proportion of Total REO					Heavy REO proportion of Total REO									
La ₂ O ₃	Ce ₂ O ₃	Pr ₂ O ₃	Nd ₂ O ₃	Sm ₂ O ₃	Eu ₂ O ₃	Gd ₂ O ₃	Tb ₂ O ₃	Dy ₂ O ₃	Ho ₂ O ₃	Er ₂ O ₃	Tm ₂ O ₃	Yb ₂ O ₃	Lu ₂ O ₃	Y ₂ O ₃
0.100	0.210	0.030	0.110	0.030	0.004	0.030	0.007	0.050	0.010	0.034	0.005	0.033	0.005	0.340
0.48					0.52									

The PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. The rationale for re-evaluation of the Project at the PEA level is justified for the following reasons; Recognition of potentially economic commodities in the mineralization not evaluated in the 2015 PFS, namely nepheline syenite, niobium and zircon, recognition of the need to reduce the project footprint and assess alternatives to a large tailing's facility at the mine site, and the need to minimize waste on the project and have greater utilization of the extracted materials. The Company does not expect the mineral resource estimates contained in the PEA to be materially affected by metallurgical, environmental, permitting, legal, taxation, socio-economic, political, and marketing or other relevant issues.

A 25-year Mining Lease (exploitation concession) was granted to the Company's Swedish subsidiary Tasman Metals AB, now renamed to GREENNA Mineral 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. On May 5, 2021, Bergsstaten rejected the mining lease application and the Company has subsequently appealed this decision to the Government of Sweden.

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. The extension of the exploration license was appealed, and the administrative court of Lulea rejected the appeal earlier this year, upon which the case has been appealed to the next instance which is pending decision to grant leave of appeal. The extension of the exploration license remains in force until a final ruling in the case has been made, and remains in force until a final ruling has been made on the mining lease application. 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.

Most importantly, the Company is working on using the redesigned scope of the project from the PEA to form the basis for an amended or new mining lease application.

Bergby Lithium Project

On April 29, 2021 the company completed the sale to United Lithium Corp. (ULTH) of 100% of the issued and outstanding share capital of Bergby Lithium AB. In consideration for the shares of Bergby, the Company's wholly owned subsidiary, GREENNA Mineral AB as the owner of the Bergby shares, received from ULTH:

- CAD 250,000 in cash;
- 1,031,864 common shares in the capital of ULTH.
- 400,000 common share purchase warrants, with each Warrant entitling Tasman Metals to acquire, for a period of 36 months from the closing date of the Transaction, one common share in the capital of ULTH. at an exercise price equal to approximately CAD 0.485; and
- a 2% net smelter returns royalty on the Project, which is subject to a buyback right in favour of ULTH, exercisable for CAD 1,000,000.

The ULTH Shares are escrowed and will be released over a 20-month period. ULTH shall also pay an additional CAD 250,000 in cash on October 29, 2021.

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 based on 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 scientific, technical and economic information related to the Norra Karr project has been reviewed and approved by Dr. Rob Bowell of SRK Consulting (UK) Ltd, a chartered chemist of the Royal Society of Chemistry, a chartered geologist of the Geological Society of London, and a Fellow of the Institute of Mining, Metallurgy and Materials, who is an independent Qualified Person under the terms of NI 43-101 for REE deposits.

The scientific, technical and economic information related to the Woxna Graphite project has been reviewed and verified by Christopher Stinton of Zenito Limited, BSc (Hons), CEng MIMMM, an independent Qualified Person as defined by NI 43-101.

Financial Information

The report for the year ending October 31, 2021, is expected to be published on or about January 26, 2022.

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	
	July 31, 2021 \$	April 30, 2021 \$	January 31, 2021 \$	October 31, 2020 \$	July 31, 2020 \$	April 30, 2020 \$	January 31, 2020 \$	October 31, 2019 \$
Operations								
Expenses	(1,030,846)	(483,495)	(664,675)	(882,556)	(420,959)	(337,609)	(375,930)	(409,297)
Other items	(46,742)	1,573,567	(3,603)	327,987	(21,567)	20,187	(31,374)	(8,799,476)
Comprehensive profit/(loss)	(1,077,588)	1,090,072	(668,278)	(554,569)	(442,526)	(317,422)	(407,304)	(9,208,773)
Basic Profit/(loss) per share	(0.01)	0.01	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.09)
Diluted profit/(loss) per share	(0.01)	0.01	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.09)
Financial Position								
Working capital	2,803,903	3,935,156	2,598,191	3,277,010	3,354,422	499,883	711,727	132,551
Total assets	28,455,148	29,133,933	28,759,753	27,218,052	27,832,104	24,722,718	24,803,562	24,825,107
Total non-current liabilities	(9,054,376)	(8,620,700)	(9,154,787)	(7,053,874)	(7,486,123)	(7,452,242)	(7,154,761)	(7,701,324)

Results of Operations

Three Months Ended July 31, 2021 Compared to Three Months Ended April 30, 2021

During the three months ended July 31, 2021 ("Q3") the Company reported a net loss of \$1,077,588 compared to a reported net profit of \$1,090,072 for the three months ended April 30, 2021 ("Q2"), a decrease in profit of \$2,167,660, mainly due to gain on sale of the Bergby Project amounting to \$1,472,255 in last quarter.

Nine Months Ended July 31, 2021 Compared to Nine Months Ended July 31, 2020

During the nine months ended July 31, 2021 ("2021 period") the Company reported a net loss of \$655,793 compared to a net loss of \$1,167,252 for the nine months ended July 31, 2020 ("2020 period"), a decrease in loss of \$511,459. The decrease in loss was primarily attributed to the gain on sale of the Bergby Project in last quarter.

Specific expenses of note during nine months ended July 31, 2021 are as follows:

- (i) incurred \$312,151 (2020 - \$240,471) for directors and officer's compensation.
- (ii) incurred \$83,369 (2020 - \$67,930) 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 \$182,895 (2020 - \$73,453) for accounting and administration services and audit out of which \$36,099 (2020 - \$45,300) was incurred for accounting and administration services provided by Chase Management Ltd. ("Chase"), a private corporation controlled by Mr. DeMare, and the Company incurred \$31,901 (2020 - \$NIL) for accounting services of SKS Business Services along with \$33,285 (2020 - \$28,153) for bookkeeping and accounting services for subsidiary companies provided by other independent accountants;
- (iv) incurred research and development expenses of \$336,312 (2020 - \$22,160). The Company has increased research and development towards adding value to its projects such as the preliminary economic assessment studies on Woxna and Norra Karr;
- (v) incurred \$248,265 (2020 - \$243,634) for salary and staff expenses.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During the nine months ended July 31, 2021 the Company reported interest income of \$11,999 compared to \$18,937 during the nine months ended July 31, 2020.

During the nine months ended July 31, 2021, the Company recorded a foreign exchange gain of \$7,982 compared to a loss of \$64,335 during nine months ended July 31, 2020 period due to changes in exchange rates.

Financings

During the nine months ended July 31, 2021 the company has issued 493,109 shares due to exercise of options by option holders for gross proceeds of \$95,348.

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.

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	-	-	-	-	1,990,898	1,990,898
Disposal	-	-	-	-	-	-
Balance - July 31, 2021	<u>16,094</u>	<u>287,018</u>	<u>344,139</u>	<u>7,567,878</u>	<u>10,114,826</u>	<u>18,329,955</u>
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	(651)	(1,222)	(18,613)	-	-	(20,486)
Disposal	-	-	-	-	-	-
Balance - July 31, 2021	<u>(3,257)</u>	<u>(262,939)</u>	<u>(134,128)</u>	<u>(3,910,218)</u>	<u>(5,000,000)</u>	<u>(9,310,542)</u>
Carrying Value:						
Balance - October 31, 2020	<u>13,488</u>	<u>25,301</u>	<u>228,624</u>	<u>3,657,660</u>	<u>3,123,928</u>	<u>7,049,001</u>
Balance - July 31, 2021	<u>12,837</u>	<u>24,079</u>	<u>210,011</u>	<u>3,657,660</u>	<u>5,114,826</u>	<u>9,019,413</u>

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
	-	93,852	436	94,288
Acquisition costs				
Mining rights	-	-	11,846	11,846
Recovery	-	-	-	-
	-	-	11,846	11,846
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	-	24,621	10,227	34,848
Preliminary economic assessment	-	346,246	-	346,246
Sale of property	-	-	(438,564)	(438,564)
	-	370,867	(425,551)	(54,684)
Acquisition costs				
Mining rights	-	-	-	-
Balance at July 31, 2021	<u>14,787</u>	<u>16,263,384</u>	<u>-</u>	<u>16,278,171</u>

Financial Condition / Capital Resources

During the nine months ended July 31, 2021, the Company recorded a net loss of \$655,793 and, as at July 31, 2021 the Company had an accumulated deficit of \$40,549,345 and working capital of \$2,803,903. 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 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 nine months ended July 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 nine months ended July 31, 2021 and 2020 the following compensation was incurred:

	2021	2020
	\$	\$
Mr. Filip Kozlowski, CEO and former director ⁽¹⁾	222,778	108,471
Mr. Nick DeMare, former CFO and Corporate Secretary ⁽²⁾	10,000	22,500
Mr. Lars-Eric Johansson, Chairman and director ⁽¹⁾	22,500	7,500
Mr. Eric Krafft, director ⁽¹⁾	22,500	7,500
Mr. Daniel Major, director ⁽¹⁾	22,500	7,500
Mr. Sanjay Swarup, CFO ⁽³⁾	11,873	-
Mr. Mark Saxon, former interim CEO, President and director ⁽¹⁾⁽³⁾	-	72,000
Mr. Michael Hudson, former director ⁽¹⁾	-	15,000
	<u>312,151</u>	<u>240,471</u>

(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 ex CFO, was appointed as Corporate Secretary on April 30, 2018.

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

(b) During the nine months ended July 31, 2021 period the Company incurred \$36,099 (2020 - \$33,550) to Chase, for accounting and administrative services provided by Chase personnel, exclusive of Mr. DeMare, and \$1,675 (2020 - \$2,010) for rent. During the nine months ended July 31, 2021, the Company incurred \$31,901 (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 June 23, 2021, there were 146,960,500 issued and outstanding common shares, 55,227,855 warrants outstanding with exercise prices ranging from \$0.10 to \$0.37 per share and 9,515,000 share options outstanding with exercise prices ranging from \$0.155 to \$0.64 per share.