



LEADING EDGE MATERIALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
OCTOBER 31, 2023 AND 2022

(Expressed in Canadian Dollars)



Independent Auditor's Report

To the Shareholders of Leading Edge Materials Corp.

Opinion

We have audited the consolidated financial statements of Leading Edge Materials Corp. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2023 and October 31, 2022, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2023 and October 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 14 to the consolidated financial statements, which explains that certain comparative information presented for the year ended October 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended October 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of Impairment Indicators of Exploration and Evaluation Assets

Description

Management assesses whether there are indicators of impairment to exploration and evaluation assets when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed the recoverable amount. Management applies judgement in assessing whether impairment indicators are present. No impairment indicators were identified by management as of October 31, 2023.



This matter was significant to our audit because the carrying value of the Company's exploration and evaluation assets at October 31, 2023, was \$ 17,744,472, which represents a significant portion of the Company's total assets and management applies significant judgement in assessing whether impairment indicators are present. See Note 3 and Note 5 to the consolidated financial statements.

How the Key Audit Matter Was Addressed in the Audit

Our approach to addressing the matter included the following procedures, among others:

Evaluated management's assessment as to whether there were any indicators of impairment to exploration and evaluation assets, which included the following:

- Obtained all mineral claim and permit listings held by the Company and confirmed the mineral claims held with the related mining authorities.
- Considered the Company's intentions to carry out future exploration and evaluation expenditures which included reading Board of Directors' meeting minutes and enquiring as to the intentions and strategy of the Company.
- Assessed whether there were other changes in circumstances indicating that the exploration and evaluation expenditures may not be recoverable, based on the evidence obtained in other areas of the audit.

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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



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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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



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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Vancouver, B.C.
January 24, 2024

"D&H Group LLP"

Chartered Professional Accountants

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

| | Note | October 31, 2023 \$ | October 31, 2022 (as restated – Note 14) \$ |
|---|---------|---------------------------|---|
| ASSETS | | | |
| Current assets | | | |
| Cash | | 2,427,311 | 1,198,536 |
| GST/VAT receivables | | 193,246 | 15,915 |
| Prepaid expenses | | 110,901 | 45,350 |
| Investments | 4 | 150,462 | 148,839 |
| Inventory | | 77,236 | 77,165 |
| Plant stores and supplies | | <u>83,355</u> | <u>83,278</u> |
| Total current assets | | <u>3,042,511</u> | <u>1,569,083</u> |
| Non-current assets | | | |
| Exploration and evaluation assets | 5 | 17,744,472 | 16,909,663 |
| Property, plant and equipment | 6 | 4,509,105 | 5,256,035 |
| Reclamation deposit | 7 | <u>91,361</u> | <u>97,637</u> |
| Total non-current assets | | <u>22,344,938</u> | <u>22,263,335</u> |
| TOTAL ASSETS | | <u>25,387,449</u> | <u>23,832,418</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 329,413 | 203,426 |
| Non-current liabilities | | | |
| Provision for site restoration | 7 | 4,173,494 | 4,795,779 |
| Property acquisition obligation | 5(a), 6 | <u>497,296</u> | <u>496,839</u> |
| Total non-current liabilities | | <u>4,670,790</u> | <u>5,292,618</u> |
| TOTAL LIABILITIES | | <u>5,000,203</u> | <u>5,496,044</u> |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 8 | 59,220,772 | 55,442,053 |
| Share-based payments reserve | 8(d) | 8,016,774 | 7,162,148 |
| Deficit | | <u>(46,850,300)</u> | <u>(44,267,827)</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>20,387,246</u> | <u>18,336,374</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>25,387,449</u> | <u>23,832,418</u> |

Nature of Operations - Note 1

Events after the Reporting Period – Note 16

These consolidated financial statements were approved for issue by the Board of Directors on January 24, 2024 and are signed on its behalf by:

/s/ Eric Krafft
Eric Krafft
Director

/s/ Daniel Major
Daniel Major
Director

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

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

| | Notes | Year Ended October 31, | |
|---|---------|---------------------------|--|
| | | 2023 \$ | 2022 (as restated - Note 14) \$ |
| Expenses | | | |
| Accretion of provision for site restoration | 7 | 105,028 | 40,802 |
| Corporate development | | 68,406 | 109,458 |
| Depreciation | | 23,027 | 24,069 |
| Directors and officer's compensation | 9(a) | 182,341 | 443,700 |
| Research, development and general exploration | 5 | 268,143 | 79,774 |
| Accounting and audit | 9(b) | 158,872 | 139,204 |
| General and administration | | 51,421 | 76,773 |
| Listing and regulatory costs | | 183,568 | 198,495 |
| Operations | | 225,469 | 223,134 |
| Salaries, compensation and benefits | | 221,723 | 311,996 |
| Professional fees | | 35,002 | 64,069 |
| Share based compensation | 9(a),14 | 854,275 | 974,462 |
| Travel | | 56,841 | 19,515 |
| | | <u>2,434,116</u> | <u>2,705,451</u> |
| Loss before other items | | <u>(2,434,116)</u> | <u>(2,705,451)</u> |
| Other items | | | |
| Interest income | | 61,492 | 25,497 |
| Other Income | | 7,172 | 6,571 |
| Foreign exchange | | (137,529) | 151,206 |
| Mark to market adjustment loss | | 1,625 | (383,766) |
| Gain/Loss on sale of investment | | - | (257,614) |
| Write off of Exploration and Evaluation assets | | (81,117) | - |
| | | <u>(148,357)</u> | <u>(458,106)</u> |
| Net loss and comprehensive loss | | <u>(2,582,473)</u> | <u>(3,163,557)</u> |
| Loss per share - basic and diluted | | <u>(\$0.02)</u> | <u>(\$0.02)</u> |
| Weighted average number of common shares outstanding - basic and diluted | | <u>167,139,971</u> | <u>151,801,734</u> |

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

LEADING EDGE MATERIALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

| Year Ended October 31, 2023 | | | | | |
|---|--------------------|--|------------------|-----------------------|-------------------|
| Share Capital | | Share- Based Payments Reserve \$ | Deficit \$ | Total Equity \$ | |
| Number of Shares | Amount \$ | | | | |
| Balance as at October 31, 2022 (as restated – Note 14) | 152,523,533 | 55,442,053 | 7,162,148 | (44,267,827) | 18,336,374 |
| Common shares issued for: | | | | | |
| Warrants exercised | 13,000,000 | 1,300,000 | - | - | 1,300,000 |
| Shares issued | 21,739,130 | 2,500,000 | - | - | 2,500,000 |
| Share Issue Cost | - | (21,281) | 351 | - | (20,930) |
| Share-based compensation | - | - | 854,275 | - | 854,275 |
| Net loss for the period | - | - | - | (2,582,473) | (2,582,473) |
| Balance at October 31, 2023 | 187,262,663 | 59,220,772 | 8,016,774 | (46,850,300) | 20,387,246 |

| Year Ended October 31, 2022 | | | | | |
|---|--------------------|--|------------------|-----------------------|-------------------|
| Share Capital | | Share- Based Payments Reserve \$ | Deficit \$ | Total Equity \$ | |
| Number of Shares | Amount \$ | | | | |
| Balance as at October 31, 2021 | 147,024,071 | 53,521,054 | 6,187,686 | (41,104,270) | 18,604,470 |
| Common shares issued for: | | | | | |
| Options exercised | 500,000 | 112,500 | - | - | 112,500 |
| Warrants exercised | 4,421,428 | 1,620,500 | - | - | 1,620,500 |
| Shares issued to REMAT group | 550,509 | 178,916 | - | - | 178,916 |
| Shares issued for Finder's Fee | 27,525 | 9,083 | - | - | 9,083 |
| Share-based compensation (as restated – Note 14) | - | - | 974,462 | - | 974,462 |
| Net loss for the period (as restated – Note 14) | - | - | - | (3,163,557) | (3,163,557) |
| Balance as at October 31, 2022 (as restated – Note 14) | 152,523,533 | 55,442,053 | 7,162,148 | (44,267,827) | 18,336,374 |

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

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

| | Year Ended October 31, | |
|---|-------------------------------|----------------------------------|
| | 2023 | 2022 |
| | \$ | (as restated – Note 14) \$ |
| Operating activities | | |
| Net loss for the year | (2,582,473) | (3,163,557) |
| Adjustments for: | | |
| Accretion of provision for site restoration | 105,028 | 40,802 |
| Depreciation | 23,027 | 24,069 |
| Foreign exchange | 6,589 | (59,577) |
| Share based compensation | 854,275 | 974,462 |
| Mark to market adjustment loss | (1,625) | 383,766 |
| Loss on sale of investments | - | 257,614 |
| Write off of Exploration and Evaluation assets | 81,117 | - |
| Changes in non-cash working capital items: | | |
| GST/VAT receivables | (177,331) | 3,814 |
| Prepaid expenses and other | (65,551) | 16,203 |
| Accounts payable and accrued liabilities | 125,987 | (1,824) |
| Net cash from (used in) operating activities | <u>(1,630,957)</u> | <u>(1,524,228)</u> |
| Investing activity | | |
| Additions to property, plant and equipment | (3,410) | - |
| Proceeds from sale of investments | - | 191,491 |
| Expenditures on exploration and evaluation assets | (915,928) | (518,524) |
| Net cash from (used in) investing activity | <u>(919,338)</u> | <u>(327,033)</u> |
| Financing activities | | |
| Issuance of common shares | 3,800,000 | 1,733,000 |
| Share issue costs | (20,930) | - |
| Net cash provided by financing activities | <u>3,779,070</u> | <u>1,733,000</u> |
| Net change in cash | 1,228,775 | (118,261) |
| Cash at beginning of year | <u>1,198,536</u> | <u>1,316,797</u> |
| Cash at end of year | <u>2,427,311</u> | <u>1,198,536</u> |

Supplemental cash flow information - See Note 11

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2023 AND 2022
(Expressed in Canadian Dollars)

1. Nature of Operations

The Company is a Canadian public company primarily focused on developing a portfolio of critical raw material projects located in the European Union. The portfolio of projects includes the 100% owned Woxna Graphite mine (Sweden), Norra Kärr HREE project (Sweden) 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 14th Floor 1040 West Georgia Street, Vancouver, BC Canada V6E 4H1.

During the year ended October 31, 2023 the Company recorded a net loss of \$2,582,473 and, as at October 31, 2023, the Company had an accumulated deficit of \$46,850,300 and working capital of \$2,713,098. 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 filing the Natura 2000 permit application in order to progress the ongoing mining lease application process. Additionally, later in the year focus to be on producing a new PFS. Finally, for Bihor Sud project, the Company should be entering additional galleries. There is a comprehensive programme planned involving geophysics, trenching and sampling from inside the galleries. This will all lead towards designing a drill programme aiming to produce a resource statement. 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 and to fund future development of the Norra Kärr Property. 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 consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") appropriate for a going concern. The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the consolidated financial statements. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

2. Basis of Preparation

Statement of Compliance

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

LEADING EDGE MATERIALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2023 AND 2022
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2. Basis of Preparation (continued)

Basis of Measurement

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

Details of the Group

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

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

3. Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

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

Critical Judgments

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

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

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3. Significant Accounting Policies (continued)

- (iii) Management is required to assess impairment of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans toward finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to be impaired in future periods. In fiscal 2023 and 2022 management determined that there were no impairment indicators and no impairment charge was required.
- (iv) Management is required to assess impairment in respect of property, plant and equipment. The triggering events are defined in IAS 36. In making the assessment, management is required to make judgments on the status of the project and the future plans toward finding commercial reserves to which the property, plant and equipment relate to. In fiscal 2023 and 2022 management determined that there were no impairment indicators and no impairment charge was required.
- (v) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- (vi) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 13.

Estimation Uncertainty

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

- (i) Depreciation and depletion expenses are allocated based on assumed asset lives and depletion/depreciation rates. Should the asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of operations.
- (ii) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- (iii) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an

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3. Significant Accounting Policies (continued)

additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

- (iv) Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity (deficit).
- (v) The fair value of securities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The fair value of securities that are subject to trading restrictions are recorded at a value which takes into account the length and nature of the restriction.

Cash and Cash Equivalents

Cash includes cash in bank and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. At October 31, 2023 and 2022 the Company did not have any cash equivalents.

Amounts Receivable

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

Inventory

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

Plant Stores and Supplies

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

Accounts Payable and Accrued Liabilities

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

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

Exploration and Evaluation Assets

The Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties when the company obtains legal rights to explore a specific area. All proceeds received are credited against the cost of the related properties. Such costs include, but are not exclusive to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production

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3. Significant Accounting Policies (continued)

commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate

of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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3. Significant Accounting Policies (continued)

Impairment of Assets

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

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the

time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

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

Provision for Site Restoration

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

Financial Instruments

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

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

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other

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3. Significant Accounting Policies (continued)

financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Share Capital

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

Equity Financing

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

Share-Based Payment Transactions

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

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

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

Current and Deferred Income Taxes

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

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to

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3. Significant Accounting Policies (continued)

situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

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

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

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

Loss per Share

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

Foreign Currency Translation

Functional and Presentation Currency

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

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

Foreign Currency Transactions

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

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3. Significant Accounting Policies (continued)

Accounting Standards and Interpretations Issued but Not Yet Effective

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

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

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

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

4. Investments

Investments held by the Company are as follows:

| Particulars | October 31, 2023 \$ | October 31, 2022 \$ |
|---|------------------------------------|------------------------------------|
| 397,942 shares in United Lithium Corp. (ULTH) | 119,383 | 107,444 |
| 400,000 warrants in United Lithium Corp. (Expire on April 29, 2024) | <u>31,079</u> | <u>41,395</u> |
| Total | <u>150,462</u> | <u>148,839</u> |

The investment in United Lithium Corp will be revalued with level 1 input at each reporting date.

The value of warrants was determined using the Black-Scholes pricing model using level 2 inputs, the value was calculated based on risk-free rate of 4.77%, expected stock volatility of 100.71% and forfeiture rate of 0.0%.

206,373 ULTH shares are still held in escrow.

5. Exploration and Evaluation Assets

| | As at October 31, 2023 | | | As at October 31, 2022 | | |
|---------------------------|-------------------------------------|--|--------------------------|-------------------------------------|--|--------------------------|
| | 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 | 966,062 | 16,368,684 | 15,402,622 | 958,729 | 16,361,351 |
| Woxna graphite Romania | - | - | - | - | 81,117 | 81,117 |
| | 187,999 | 1,173,002 | 1,361,001 | 187,999 | 264,409 | 452,408 |
| | <u>15,600,702</u> | <u>2,143,770</u> | <u>17,744,472</u> | <u>15,600,702</u> | <u>1,308,961</u> | <u>16,909,663</u> |

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5. Exploration and Evaluation Assets (continued)

| | Graphite concessions \$ | Anode Project \$ | Norra Kärr \$ | Romania \$ | Total \$ |
|------------------------------------|-------------------------------|---------------------|-------------------|------------------|-------------------|
| Balance at October 31, 2021 | 14,787 | - | 16,188,353 | - | 16,203,140 |
| Costs | | | | | |
| Additions during the year | - | 81,117 | 172,998 | 452,408 | 706,523 |
| Balance at October 31, 2022 | 14,787 | 81,117 | 16,361,351 | 452,408 | 16,909,663 |
| Costs | | | | | |
| Additions during the year | - | - | 7,333 | 908,593 | 915,926 |
| Write Off | - | (81,117) | - | - | (81,117) |
| Balance at October 31, 2023 | 14,787 | - | 16,368,684 | 1,361,001 | 17,744,472 |

(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 6.

(b) *Norra Kärr*

The Norra Kärr Property consists of an exploration permit (Norra Kärr nr 1), valid until August 31, 2026, located in south-central Sweden. The Company is applying for a Natura 2000 permit prior to re-applying for the Norra Kärr mining lease (Norra Kärr K nr 1). The mining lease will provide the Company with greater flexibility to advance the project to its next stages of feasibility development.

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5. Exploration and Evaluation Assets (continued)

(c) *Anode Project*

The Anode Project encompasses the ongoing development towards the possible production of a high purity natural graphite anode material for the lithium-ion battery industry using flake graphite concentrate from the Woxna Graphite mine as a feedstock. The development work involves various metallurgical test work and engineering of the production process and if successful would eventually lead to the establishment of a dedicated anode material factory in Sweden.

During the year ended October 31, 2022 \$81,117 of exploration cost were capitalized. Based on assessment made, the nature of these expenses were found to be general exploration expense in nature and do not qualify to be capitalized as per IFRS 6 Exploration and Evaluation of Exploration properties, accordingly during the year ended October 31, 2023, the company recognized a write-off of \$81,117 of exploration and evaluation asset.

(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 (the "Project"). On August 9, 2018, the Company and REMAT completed a share purchase agreement (the "Share Purchase Agreement") and executed a shareholders' joint venture agreement (the "JV 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 recorded the initial consideration as general exploration expenses. A finder's fee of 5% (the "Finder's Fee") related to the Project will be paid in stages.

Under the JV Agreement the Company has agreed to issue to REMAT certain amounts of shares in the Company upon different milestones being achieved (the "Bonus Shares") as per below;

- (i) 550,509 shares upon the signing of an exploration license; (Issued on May 27, 2022)
- (ii) A maximum of 3,670,062 shares upon identification of any historic Ni-Co and/or Ag-base metal mineral resource estimates at various tonnage thresholds;
- (iii) 734,012 shares upon the filing of a NI 43-101 technical report that establishes a mineral resource on any portion of the Project, with an additional maximum 4,404,072 shares subject to such Ni-Co and/or Ag-base metal mineral resource meeting various tonnage thresholds; and
- (iv) 917,515 shares upon the filing of a Feasibility Study technical report.

Under the JV Agreement, upon the filing of a Feasibility Study technical report REMAT will transfer 39% in LEM Romania to the Company free of any payment bringing the Company's ownership in LEM Romania to 90%.

On May 17, 2022, the company signed the Bihor Sud Exploration License between LEM Romania and the National Agency for Mineral Resources, accordingly exploration and evaluation costs for the project will now be capitalized. On May 27, 2022, the company issued 550,509 shares to REMAT at a fair value of \$178,916 and issued 27,525 common shares at a fair value of \$9,083 as Finder's Fee, this consideration is capitalized as acquisition cost for LEM Romania.

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6. 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, 2021 | 16,094 | 287,018 | 344,139 | 7,567,878 | 11,000,845 | 19,215,974 |
| Adjustment to site restoration | - | - | - | - | (4,612,109) | (4,612,109) |
| Balance at October 31, 2022 | 16,094 | 287,018 | 344,139 | 7,567,878 | 6,388,736 | 14,603,865 |
| Addition | - | 3,410 | - | - | - | 3,410 |
| Adjustment to site restoration | - | - | - | - | (727,313) | (727,313) |
| Balance at October 31, 2023 | 16,094 | 290,428 | 344,139 | 7,567,878 | 5,661,423 | 13,879,962 |
| Accumulated Depreciation and Impairment: | | | | | | |
| Balance at October 31, 2021 | (3,677) | (263,728) | (146,138) | (3,910,218) | (5,000,000) | (9,323,761) |
| Depreciation | (765) | (1,435) | (21,868) | - | - | (24,069) |
| Balance at October 31, 2022 | (4,442) | (265,163) | (168,006) | (3,910,218) | (5,000,000) | (9,347,830) |
| Depreciation | (732) | (1,374) | (20,922) | - | - | (23,027) |
| Balance at October 31, 2023 | (5,174) | (266,537) | (188,928) | (3,910,218) | (5,000,000) | (9,370,857) |
| Carrying Value: | | | | | | |
| Balance at October 31, 2022 | 11,652 | 21,855 | 176,133 | 3,657,660 | 1,388,736 | 5,256,035 |
| Balance at October 31, 2023 | 10,920 | 23,891 | 155,211 | 3,657,660 | 661,423 | 4,509,105 |

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 did 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 took into account the Company's financial position and results of operations and operational issues among other factors in determining an estimated recoverable amount. This method indicated that an impairment provision of \$8,800,000 was appropriate in fiscal 2019.

As at October 31, 2023 the Company has recognized \$497,296 (October 31, 2022 - \$496,839) for the Property Acquisition Obligation associated with the Kringelgruvan concession, as described in Note 5(a)(i).

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7. 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 2.998% (2022 – 2.19%) and an inflation factor of 2.0% (2022 – 2.0%) 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, 2021 | 9,367,086 |
| Accretion | 40,802 |
| Revision of estimates | (3,274,582) |
| Foreign exchange adjustment | <u>(1,337,527)</u> |
| | 4,795,779 |
| Balance at October 31, 2022 | |
| Accretion | 105,028 |
| Revision of estimates | (731,725) |
| Foreign exchange adjustment | 4,412 |
| | <u>4,173,494</u> |
| Balance at October 31, 2023 | 4,173,494 |

As at October 31, 2023 reclamation deposits totaling \$ 91,361 (October 31, 2022 - \$97,637) 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 October 31, 2023 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

8. 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**

Year Ended October 31, 2023

During the year ended October 31, 2023, 13,000,000 warrants were exercised for gross proceeds of \$1,300,000.

On August 23, 2023 the Company completed a private placement financing of 21,739,130 units at a price of \$0.115 per unit for gross proceeds of \$2,500,000. 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 at an exercise price of \$0.225 per share, expiring August 23, 2027. The Company paid finders' fees of \$20,930 cash and issued 7,000 finder's warrants.

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8. Share Capital (continued)

Year Ended October 31, 2022

During the year ended October 31, 2022, 4,421,428 warrants and 500,000 options were exercised for gross proceeds of \$1,620,500 and \$112,500 respectively.

550,509 shares were issued to REMAT group at a fair value of \$178,916 per joint venture agreement for the Bihor Sud project and 27,525 shares were issued at a fair value of \$9,083 as Finder's Fees, both relating to the signing of the exploration license for the project.

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at October 31, 2023 and October 31, 2022, and the changes for the periods ended on those dates is as follows:

| | 2023 | | 2022 | |
|---------------------------|-------------------|--|-------------------|--|
| | Number | Weighted Average Exercise Price \$ | Number | Weighted Average Exercise Price \$ |
| Balance beginning of year | 49,079,286 | 0.17 | 55,164,284 | 0.19 |
| Issued | 21,746,130 | 0.225 | - | - |
| Exercised | (13,000,000) | 0.10 | (4,421,428) | 0.37 |
| Expired | - | - | (1,663,570) | 0.37 |
| Balance end of year | 57,825,416 | 0.21 | 49,079,286 | 0.17 |

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at October 31, 2023:

| Number | Exercise Price \$ | Expiry Date |
|-------------------|----------------------|-------------------|
| 4,079,286 | 0.10 | December 30, 2023 |
| 32,000,000 | 0.20 | August 7, 2024 |
| 7,000 | 0.225 | August 23, 2025 |
| 21,739,130 | 0.225 | August 23, 2027 |
| 57,825,416 | 0.21 | |

(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.

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8. Share Capital (continued)

Year Ended October 31, 2023

4,200,000 stock options were granted at an exercise price of \$0.195 during the year ended October 31, 2023. The value of options granted was determined using the Black-Scholes option pricing model. A weighted average grant date fair value of \$0.154 was calculated using expected stock price volatility of 114.79%, risk free rate of 2.98% and option life of five years are based on the Company's historical share price volatility and option life.

500,000 stock options were granted at an exercise price of \$0.195 during the during the year ended October 31, 2023. The value of options granted was determined using the Black-Scholes option pricing model. A weighted average grant date fair value of \$0.124 was calculated using expected stock price volatility of 106.38%, risk free rate of 2.98% and option life of three years are based on the Company's historical share price volatility and option life.

700,000 stock options were granted at an exercise price of \$0.20 during the during the year ended October 31, 2023. The value of options granted was determined using the Black-Scholes option pricing model. A weighted average grant date fair value of \$0.139 was calculated using expected stock price volatility of 99.96%, risk free rate of 3.59% and option life of five years are based on the Company's historical share price volatility and option life.

Year Ended October 31, 2022

3,200,000 stock options were granted at an exercise price of \$0.62 during the year ended October 31, 2022. The value of options granted was determined using the Black-Scholes option pricing model. A weighted average grant date fair value of \$0.270 was calculated using expected stock price volatility of 97.55%, risk free rate of 3.54% and option life of three years.

During the year ended October 31, 2022, 500,000 options were exercised at an average price of \$0.225 per share for gross proceeds of \$112,500.

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

A summary of the Company's share options at October 31, 2023 and 2022 and the changes for the year ended on those dates is as follows:

| | 2023 | | 2022 | |
|---------------------------|-------------------------------------|---|-------------------------------------|---|
| | Number of Options Outstanding | Weighted Average Exercise Price \$ | Number of Options Outstanding | Weighted Average Exercise Price \$ |
| Balance beginning of year | 8,070,000 | 0.43 | 5,870,000 | 0.32 |
| Issued | 5,400,000 | 0.20 | 3,200,000 | 0.62 |
| Exercised | — | - | (500,000) | 0.23 |
| Expired | (4,870,000) | 0.29 | (500,000) | 0.56 |
| Balance end of period | 8,600,000 | 0.36 | 8,070,000 | 0.43 |

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8. Share Capital (continued)

The weighted average share price at the date of exercise for share options exercised during the year ended October 31, 2023 was \$Nil per share (2022 - \$0.225).

The following table summarizes information about the share options outstanding and exercisable at October 31, 2023:

| Number Outstanding | Number Exercisable | Exercise Price \$ | Expiry Date |
|-------------------------------|-------------------------------|------------------------------|--------------------|
| 3,200,000 | 2,050,000 | 0.62 | January 27, 2025 |
| 500,000 | 165,000 | 0.195 | April 26, 2026 |
| 700,000 | - | 0.20 | November 3, 2027 |
| <u>4,200,000</u> | <u>1,386,000</u> | 0.195 | April 26, 2028 |
| 8,600,000 | 3,601,000 | | |

9. 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 year ended October 31, 2023 and 2022 the following compensation was incurred:

| | 2023 \$ | 2022 (as restated Note-14) \$ |
|---|--------------------|--|
| Directors and officer's compensation (current and former) | 182,341 | 443,700 |
| Share based compensation (Current and former) | <u>635,010</u> | <u>774,572</u> |
| | <u>817,351</u> | <u>1,218,272</u> |

As at October 31, 2023, \$ 4,536 (October 31, 2022 - \$9,733) 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 year ended October 31, 2023, the Company incurred \$57,948 (2022 - \$50,526) 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 year ended October 31, 2023 the Company incurred \$Nil (2022 - \$629) for services provided by Chase personnel.

10. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

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

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10. Financial Instruments and Risk Management (continued)

| Financial Instrument | Category | October 31, 2023 \$ | October 31, 2022 \$ |
|--|-----------------|------------------------------------|------------------------------------|
| Cash | FVTPL | 2,427,311 | 1,198,536 |
| Reclamation deposit | amortized cost | 91,361 | 97,637 |
| Investments | FVTPL | 150,462 | 148,839 |
| Accounts payable and accrued liabilities | amortized cost | (329,413) | (203,426) |
| Property acquisition obligation | amortized cost | (497,296) | (496,839) |

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, investments and property acquisition obligation approximates their fair value. The Company's fair value of cash under the fair value hierarchy is measured using Level 1.

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, amounts receivable and reclamation 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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10. Financial Instruments and Risk Management (continued)

Contractual Maturity Analysis at October 31, 2023

| | Carrying Amount \$ | Contractual Cash Flows \$ | Less than 3 Months \$ | 1 - 5 Years \$ | Over 5 Years \$ |
|--|--------------------------|---------------------------------|-----------------------------|----------------------|-----------------------|
| Cash | 2,427,311 | 2,427,311 | 2,427,311 | - | - |
| Reclamation deposit | 91,361 | 91,361 | - | - | 91,361 |
| Investments | 150,462 | 150,462 | - | 150,462 | - |
| Accounts payable and accrued liabilities | (329,413) | (329,413) | (329,413) | - | - |
| Property acquisition obligation | (497,296) | (497,296) | - | (497,296) | - |

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, Swedish Krona ("SEK") and Romanian Leu ("RON"). The Company maintains SEK bank accounts in Sweden and RON bank balances in Romania to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At October 31, 2023, 1 Canadian Dollar was equal to 8.0435 SEK as per Swedish Central Bank and 1 Canadian Dollar was equal to 3.3831 RON as per Romania Bank . Balances are as follows:

| | SEK | CDN \$ Equivalent | RON | CDN \$ Equivalent |
|--|------------------|----------------------|----------------|----------------------|
| Cash | 2,554,849 | 317,629 | 210,596 | 62,250 |
| VAT receivable | 408,409 | 50,775 | 458,794 | 135,615 |
| Inventories | 621,248 | 77,236 | - | - |
| Plant stores and supplies | 670,466 | 83,355 | - | - |
| Reclamation deposit | 734,862 | 91,361 | - | - |
| Accounts payable and accrued liabilities | (1,127,827) | (140,216) | (311,891) | (92,192) |
| Property acquisition obligation | (4,000,000) | (497,296) | - | - |
| | (137,993) | (17,156) | 357,499 | 105,673 |

Based on the net exposures as of October 31, 2023 and assuming that all other variables remain constant, a 10% fluctuation of the Canadian Dollar against the SEK and RON would result in the Company's net impact being approximately respectively \$ 1,716 & \$10,567 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

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10. Financial Instruments and Risk Management (continued)

Company's management to sustain development of the business. The Company defines capital that it manages as share capital and cash. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

11. Supplemental Cash Flow Information

During the year ended October 31, 2023 and 2022 non-cash activities were conducted by the Company as follows:

| | 2023 | 2022 |
|---|----------------|------------------|
| | \$ | \$ |
| Operating activity | | |
| Provision for site restoration | (727,313) | (4,612,109) |
| Investing activity | | |
| Revisions of estimates on property, plant and equipment | 727,313 | 4,612,109 |
| Share-based payment reserve | 351 | - |
| Share issue costs | (351) | - |
| | <u>727,313</u> | <u>4,612,109</u> |

12. 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 October 31, 2023 | | | |
|-----------------------------------|------------------------------------|---|--|---------------------|
| | Corporate Canada \$ | Mineral Operations Sweden \$ | Mineral Operations Romania \$ | Total \$ |
| Current assets | 2,144,215 | 700,431 | 197,865 | 3,042,511 |
| Exploration and evaluation assets | - | 16,383,471 | 1,361,001 | 17,744,472 |
| Property, plant and equipment | - | 4,506,344 | 2,761 | 4,509,105 |
| Reclamation deposit | - | 91,361 | - | 91,361 |
| | <u>2,144,215</u> | <u>21,681,607</u> | <u>1,561,627</u> | <u>25,387,449</u> |

| | As at October 31, 2022 | | | |
|-----------------------------------|------------------------------------|---|--|---------------------|
| | Corporate Canada \$ | Mineral Operations Sweden \$ | Mineral Operations Romania \$ | Total \$ |
| Current assets | 923,015 | 559,977 | 86,091 | 1,569,083 |
| Exploration and evaluation assets | - | 16,457,255 | 452,408 | 16,909,663 |
| Property, plant and equipment | - | 5,256,035 | - | 5,256,035 |
| Reclamation deposit | - | 97,637 | - | 97,637 |
| | <u>923,015</u> | <u>22,370,904</u> | <u>538,499</u> | <u>23,832,418</u> |

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13. Income Taxes

| | | |
|--|---------------------|---------------------|
| Deferred income tax assets are as follows: | 2023 | 2022 |
| | \$ | \$ |
| Deferred income tax assets (liabilities): | | |
| Losses carried forward | <u>12,012,888</u> | <u>11,385,542</u> |
| | 12,012,888 | 11,385,542 |
| Valuation allowance | <u>(12,012,888)</u> | <u>(11,385,542)</u> |
| Deferred income tax assets | <u>-</u> | <u>-</u> |

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

| | | |
|---|----------------|----------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Income tax rate reconciliation | | |
| Combined federal and provincial income tax rate | <u>27%</u> | <u>27%</u> |
| Expected income tax recovery | (697,268) | (854,160) |
| Effect of change in tax rates | - | 59,038 |
| Foreign income tax rate difference | 52,472 | 98,987 |
| Non-deductible share-based compensation | 230,654 | 263,105 |
| Other (net addbacks and deductions) | 32,924 | - |
| Unrecognized benefit of income tax losses | <u>381,218</u> | <u>433,030</u> |
| | <u>-</u> | <u>-</u> |

As at October 31, 2023 the Company has non-capital losses of approximately \$27,850,354 (2022 - \$25,474,311) and cumulative pools of approximately \$85,800 (2022 - \$85,800) for Canadian income tax purposes and are available to reduce Canadian taxable income in future years. The non-capital losses expire commencing 2029 through 2043. The Company's Sweden subsidiaries have losses for income tax purposes of approximately \$15,945,656 (2022 - \$16,500,958) which may be carried forward indefinitely. The Company's Romania subsidiary has loss for income tax purposes of approximately \$512,974 (2022 - \$193,406) which commence expiring from 2024 through 2030.

14. Prior Year Restatement

For the year ended October 31, 2023, management has determined that the consolidated financial statements for the year ended October 31, 2022 needed to be restated to correct for the accounting for the following matter:

To record share based compensation as \$974,462 instead of \$1,421,437 because previously share-based compensation expense was booked based on immediate vesting in which fair value at grant date has been expensed in full but stock option issuances are subject to vesting conditions. The issuance during the year ended October 31, 2022 was in two tranches, each tranche is recognized separately and accordingly its share-based compensation is amortized on a straight-line basis over the vesting period.

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14. Prior Year Restatement (continued)

Impact on Consolidated Statement of Financial Position as at October 31, 2022:

| | Previously Reported \$ | October 31, 2022 Restatement \$ | October 31, 2022 Restated \$ |
|---|------------------------------|--|---------------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | 1,198,536 | - | 1,198,536 |
| GST/VAT receivables | 15,915 | - | 15,915 |
| Prepaid expenses | 45,350 | - | 45,350 |
| Investments | 148,839 | - | 148,839 |
| Inventory | 77,165 | - | 77,165 |
| Plant stores and supplies | 83,278 | - | 83,278 |
| Total current assets | 1,569,083 | - | 1,569,083 |
| Non-current assets | | | |
| Exploration and evaluation assets | 16,909,663 | - | 16,909,663 |
| Property, plant and equipment | 5,256,035 | - | 5,256,035 |
| Reclamation deposit | 97,637 | - | 97,637 |
| Total non-current assets | 22,263,335 | - | 22,263,335 |
| TOTAL ASSETS | 23,832,418 | - | 23,832,418 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 203,426 | - | 203,426 |
| Non-current liabilities | | | |
| Provision for site restoration | 4,795,779 | - | 4,795,779 |
| Property acquisition obligation | 496,839 | - | 496,839 |
| Total non-current liabilities | 5,292,618 | - | 5,292,618 |
| TOTAL LIABILITIES | 5,496,044 | - | 5,496,044 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 55,442,053 | - | 55,442,053 |
| Share-based payments reserve | 7,609,123 | (446,975) | 7,162,148 |
| Deficit | (44,714,802) | 446,975 | (44,267,827) |
| TOTAL SHAREHOLDERS' EQUITY | 18,336,374 | - | 18,336,374 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 23,832,418 | - | 23,832,418 |

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14. Prior Year Restatement (continued)

Impact on Consolidated Statements of Comprehensive Income for the year ended October 31, 2022 :

| | Previously Reported \$ | October 31, 2022 Restatement \$ | October 31, 2022 Restated \$ |
|---|------------------------------|--|---------------------------------------|
| Expenses | | | |
| Accretion of provision for site restoration | 40,802 | - | 40,802 |
| Corporate development | 109,458 | - | 109,458 |
| Depreciation | 24,069 | - | 24,069 |
| Directors and officer's compensation | 443,700 | - | 443,700 |
| Research, development and general exploration | 79,774 | - | 79,774 |
| Accounting and audit | 139,204 | - | 139,204 |
| General and administration | 76,773 | - | 76,773 |
| Listing and regulatory costs | 198,495 | - | 198,495 |
| Operations | 223,134 | - | 223,134 |
| Salaries, compensation and benefits | 311,996 | - | 311,996 |
| Professional fees | 64,069 | - | 64,069 |
| Share based compensation | 1,421,437 | (446,975) | 974,462 |
| Travel | 19,515 | - | 19,515 |
| | <u>3,152,426</u> | <u>(446,975)</u> | <u>2,705,451</u> |
| Loss before other items | (3,152,426) | 446,975 | (2,705,451) |
| Other items | | | |
| Interest income | 25,497 | - | 25,497 |
| Other Income | 6,571 | - | 6,571 |
| Foreign exchange | 151,206 | - | 151,206 |
| Mark to market adjustment loss | (383,766) | - | (383,766) |
| Gain/Loss on sale of investment | (257,614) | - | (257,614) |
| | <u>(458,106)</u> | <u>-</u> | <u>(458,106)</u> |
| Net loss and comprehensive loss | (3,610,532) | 446,975 | (3,163,557) |
| Loss per share - basic and diluted | (\$0.02) | - | (\$0.02) |
| Weighted average number of common shares outstanding - basic and diluted | 151,801,734 | - | 151,801,734 |

Impact on Consolidated Statements of Changes in Equity for the year ended October 31, 2022 :

| Year Ended October 31, 2022 (as restated - Note 14) | | | | | |
|---|---------------------|-------------------|--|---------------------|-----------------------|
| Share Capital | | | | | |
| | Number of Shares | Amount \$ | Share-Based Payments Reserve \$ | Deficit \$ | Total Equity \$ |
| Previously reported balance as at October 31, 2022 | 152,523,533 | 5,442,053 | 7,609,123 | (44,714,802) | 18,336,374 |
| Restatement Adjustment | - | - | (446,975) | 446,975 | - |
| Restated balance as at October 31, 2022 | 152,523,533 | 55,442,053 | 7,162,148 | (44,267,827) | 18,336,374 |

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14. Prior Year Restatement (continued)

Impact on the Consolidated Statements of Cash Flows for the year ended October 31, 2022 :

| | Previously Reported \$ | October 31, 2022 Restatement \$ | October 31, 2022 Restated \$ |
|---|---------------------------------------|--|---|
| Operating activities | | | |
| Net loss for the year | (3,610,532) | 446,975 | (3,163,557) |
| Adjustments for: | | - | |
| Accretion of provision for site restoration | 40,802 | - | 40,802 |
| Depreciation | 24,069 | - | 24,069 |
| Foreign exchange | (59,577) | - | (59,577) |
| Share based compensation | 1,421,437 | (446,975) | 974,462 |
| Mark to market adjustment loss | 383,766 | - | 383,766 |
| Loss on sale of investments | 257,614 | - | 257,614 |
| Changes in non-cash working capital items: | | | |
| GST/VAT receivables | 3,814 | - | 3,814 |
| Prepaid expenses and other | 16,203 | - | 16,203 |
| Accounts payable and accrued liabilities | (1,824) | - | (1,824) |
| Net cash used in operating activities | (1,524,228) | - | (1,524,228) |
| Investing activity | | | |
| Proceeds from sale of investments | 191,491 | - | 191,491 |
| Expenditures on exploration and evaluation assets | (518,524) | - | (518,524) |
| Net cash from (used in) investing activity | (327,033) | - | (327,033) |
| Financing activities | | | |
| Issuance of common shares | 1,733,000 | - | 1,733,000 |
| Net cash provided by financing activities | 1,733,000 | - | 1,733,000 |
| Net change in cash | (118,261) | - | (118,261) |
| Cash at beginning of year | 1,316,797 | - | 1,316,797 |
| Cash at end of year | 1,198,536 | - | 1,198,536 |

15. Commitments

In Romania, for exploration licenses applied through the public bid process, an investment offer is presented for each exploration license, the offer of which represents the total amounts required to be spent in order to maintain possession of the concession area at the end of the five-year investment period. Accordingly, should the Company wish to retain possession of the exploration license in Romania it holds as at October 31, 2023, the Company's expenditure commitment for the five-year period ending May 15, 2027 is \$6,484,813 Euros (approx. \$9,532,675 CAD) of which \$1,361,001 CAD has been spent as at October 31, 2023.

16. Events after the Reporting Period

- On December 21, 2023, 314,286 warrants were exercised at an average price of \$0.10 per share for gross proceeds of \$31,428.
- On December 28, 2023, 3,375,000 warrants were exercised at an average price of \$0.10 per share for gross proceeds of \$337,500.
- On December 30, 2023, 390,000 warrants were expired.



LEADING EDGE MATERIALS CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2023**

This discussion and analysis of financial position and results of operation is prepared as at January 24, 2024 and should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2023 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 or a feasibility study and the associated increased risk of technical and economic failure in case of restarting production; risks relating to the preliminary and non-binding nature of the MOU with Sicona.

Forward-looking statements relate, among other things, to statements regarding the future plans and objectives of Leading Edge Materials Corp., the feasibility study results, in-situ value, resource exploration and expansion results, future prospects of the Bihor Sud exploration permit or surrounding property, estimate of future metal prices, anticipated future revenue streams, and financing activities. It involves various risks assumptions, estimates and uncertainties that are based on current expectations and actual results may differ materially from those contained in such information. These risks, assumptions, estimates and uncertainties could adversely affect the outcome and financial effects of the plans and events described herein.

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.

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 Nasdaq First North Stockholm under the symbol "LEMSE" and on Frankfurt under the symbol "7FL". The Company's principal office is located at 14th Floor, 1040 West Georgia Street, Vancouver, British Columbia V6E 4H1. 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 project (Romania).

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

| | |
|----------------------|---------------------------------------|
| Eric Krafft | - Director and Interim CEO |
| Manuela Balaj-Coroiu | - Corporate Secretary |
| Sanjay Swarup | - CFO |
| Lars-Eric Johansson | - Director and Non-Executive Chairman |
| Daniel Major | - Director |

Mangold Fondkommission AB is the Company's Certified Adviser on Nasdaq First North.

Highlights During and After the Fiscal 2023

During the fiscal year ended October 31, 2023, the Company:

- On January 23, 2023, the Company announced that it is ahead of schedule in exploration of its exclusive and 100% owned Bihor Sud license in the Apuseni Mountains of central-western Romania. Furthermore, extensive Nickel and Cobalt mineralisation has been visually identified over 100 m in the first of the recently opened historic galleries on the property.
- On March 1, 2023, the Company announced it identified extensive Co-Ni-mineralization 50 metres above the previously reported Gallery 7 at its Bihor Sud project in Romania.
- On April 26, 2023, the Company granted stock options to directors, officers and consultants of the Company to purchase an aggregate of 4,700,000 common shares of the Company, at exercise price of C\$0.195 per Optioned Share, expiring on the date that is 5 years from the date of grant for directors and officers and three years from the date of grant for consultants. The Options will vest 33% on the date of the grant, 33% one year after the date of grant and 34% two years after the date of grant. The Options were issued pursuant to the terms of the Company's Option Plan.
- On June 1, 2023, the Company announced in-situ assay results at over 30% Nickel and 4.7% Cobalt at Bihor Sud. Additionally, surface trench assay results indicate a zone of Pb-Zn-Ag mineralisation.
- On August 23, 2023, the Company completed a private placement financing of 21,739,130 units at a price of \$0.115 per unit for gross proceeds of \$2,500,000. 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 at an exercise price of \$0.225 per share, expiring August 23, 2027. The Company paid finders' fees of \$20,930 cash and issued 7,000 finder's warrants.
- On October 25, 2023, the company announced receiving high grade Cobalt-Nickel results from systematic gallery chip sampling at its Bihor Sud Project, Romania. Results confirm in-situ high grade Co-Ni-Au and Cu-Zn-Pb-Ag mineralization within +150 m and 350 m gallery segments in G7 and G4 respectively. G7 highlights include 3.5% Cobalt, 29.7% Nickel and 15.65 g/t Au. G4 highlights include 11.7% Copper, 11.7% Lead and 18.7% Zinc.

After the fiscal year ended October 31, 2023, the Company:

- On December 14, 2023, the company announced it has received further positive assay results for Co-Ni-Au from Gallery 7. This second batch of 104 samples prolongate the zone of Co-Ni-Au-occurrences by about 250 m to a total length of roughly 400 m NNW-SSE, and constitute the central-southern part of G7 at the Bihor Sud project in Romania. Highlights include 6.7% Co, 13.0% Ni, 7.5 g/t Au.

Outlook

The past twelve months have been characterized by two major trends which directly impact our business. Firstly, the increasing adoption and sales volumes of EV's. And secondly, the more urgently accommodating legislative environment in the EU to support local extractive industries.

The latter actually taking shape as industrial policy, hardly seen in the western world since WW2. We have in previous quarterly notes followed how this has developed via the Critical Raw Materials Act and the Net-Zero Industry Act, and keep getting continuously encouraged by speed and magnitude of actions from Brussels and member states.

European Commission President Ursula von der Leyen, in her recent annual State of the Union address offers many highlights¹. "Next phase of European Green Deal" is in fact broad industrial policy using climate agenda to improve competitiveness. Concerns are voiced at Asian supply chains outcompeting as well as US green subsidy schemes undercutting European businesses. It all starts with access to raw materials and process technologies of these.

We remain convinced that we are in the right place with the right assets to play our part in combatting the threat of a European de-industrialization.

Woxna Graphite Mine

In terms of our assets and the underlying materials needed for the green transition, natural graphite remains a particularly interesting commodity according to many analysts². This is because graphite is a core component in almost all lithium-ion chemistries, with extreme dependence on Asian supply chains and importance to help decarbonize battery anodes. Many analysts predict a six- to sevenfold increase in graphite demand by 2030³, amongst the most severe of any commodity.

We maintain our built and permitted Woxna graphite mine and plant on care and maintenance, while monitoring market signals to consider a restart of graphite concentrate production, as the first step to developing a downstream anode business. Despite the looming demand-supply deficit flake graphite prices have remained weak to date this year.⁴ Increased capacity in Chinese synthetic graphite production has been an important factor⁵. It is estimated that China accounts for 92% of global anode production⁶. This is important as it leads to constraints and impairs competitiveness for European auto industry. Additionally, Chinese initiatives in December to restrict exports⁷ of graphite have stimulated western cell manufacturers to reconsider resilience of their supply chains.

Of course, this offers Sweden a great opportunity as a producer, and Woxna a first mover advantage to help address this.

Norra Kärr Heavy Rare Earth Project

At our Norra Kärr development project, we have during the past year been progressing work with a Natura 2000 permit application. To our benefit, the Swedish government signal legislative changes which positively impact us, as we believe that the requirement for a Natura 2000 permit will be shifted further along the process. To that end we are pleased to now proceed with full focus on our mining lease application. The Natura 2000 permit being deferred, to be resumed later on when we apply for the environmental permit without losing benefit of work having been done to date.

This is a direct consequence of the government initiative to ensure more pragmatic permitting process.

¹ <https://www.euractiv.com/section/energy-environment/news/von-der-leyen-outlines-next-phase-of-european-green-deal-with-heavy-industry-focus/>

² <https://www.fastmarkets.com/insights/graphite-market-outlook-five-key-factors-to-watch>

³ <https://www.economist.com/finance-and-economics/2023/09/11/how-to-avoid-a-green-metals-crunch>

⁴ https://source.benchmarkminerals.com/article/why-battery-material-prices-slumped-under-pressure-in-the-first-half-of-2023?mc_cid=1c25ba3e5d&mc_eid=33b1527344

⁵ https://source.benchmarkminerals.com/article/natural-graphite-market-dominated-by-oversupply-2023-in-review?mc_cid=2a16054797&mc_eid=33b1527344

⁶ https://source.benchmarkminerals.com/article/in-charts-why-decoupling-from-chinas-anode-market-could-be-difficult-for-the-west?mc_cid=b3fbca6cc2&mc_eid=33b1527344

⁷ <https://asia.nikkei.com/Spotlight/Supply-Chain/China-s-graphite-export-curbs-take-effect-with-uncertainty-for-EVs#:~:text=BEIJING%20%2D%20China%20on%20Friday,curbs%20targeting%20China's%20tech%20sector.>

As this is done based on the new 2021 design of this project, we are benefitting from authorities and other stakeholders evaluating the merits of the project based on recent plans that substantially reduce the potential for environmental risk. In parallel, we have started working towards a new mining lease application as well as evaluating the most appropriate next stages of feasibility development.

In the meantime, we are pleased to follow beneficial developments in the rare earth and permanent magnet space. Prices for the magnet metals have increased⁸ because of supply concerns in Asia. We are told that China, being the dominant processor of concentrate and magnet producer, is actively trying to tie up supply around the world. In particular, it is the heavy rare earths which are a challenge to secure, with prices squeezing higher⁹. Dysprosium is turning out to be a crucial bottleneck¹⁰, noteworthy is that of REE projects globally, Norra Kärr is one of the absolute best in terms Dysprosium potential.

Last year, the Canadian company Neo Performance Materials have broken ground on building a rare earth permanent magnet factory in Estonia¹¹. This is important as it demonstrates, as we have said, the emergence of new Western producers of these critical products. Norra Kärr, as one of the largest HREE deposits globally, and the only one in the EU, has the potential to be a cornerstone supplier to Western magnet producers¹².

Bihor Sud Nickel-Cobalt Exploration Project

Since having obtained permission to enter our underground galleries last year, this project has been advancing rapidly. As communicated, in situ samples from G7 gallery walls have assayed up to 30% Ni and 4.7% Co while surface trench assay results indicate a zone of Pb-Zn-Ag mineralization.

In October we reported receiving high grade Cobalt-Nickel results from systematic gallery chip sampling. Results confirm in-situ high grade Co-Ni-Au and Cu-Zn-Pb-Ag mineralization within +150 m and 350 m gallery segments in G7 and G4 respectively. G7 highlights include 3.5% Cobalt, 29.7% Nickel and 15.65 g/t Au. G4 highlights include 11.7% Copper, 11.7% Lead and 18.7% Zinc.

In December we announced further positive assay results for Co-Ni-Au from Gallery 7. This second batch of 104 samples prolongate the zone of Co-Ni-Au-occurrences by about 250 m to a total length of roughly 400 m NNW-SSE, and constitute the central-southern part of G7 at the Bihor Sud project in Romania. Highlights include 6.7% Co, 13.0% Ni, 7.5 g/t Au.

Further extensive Co-Ni mineralization has been identified 50 m above G7 in a cross cut coming from the higher level gallery G4. These results confirm our belief that this is a high prospective exploration project with potential for both scale and high-grade mineralization.

We are working towards doing a surface drill program on 50-100 m deep geophysical anomalies and to explore the depth extent of G7 Co-Ni-mineralization, as well as an underground drill program from inside G4 and G7.

Additionally, we have recently entered our next target, Gallery 2, which we have started mapping and for which we have high expectations.

⁸ <https://www.reuters.com/markets/commodities/chinese-rare-earth-prices-hit-20-month-high-myanmar-supply-worry-2023-09-07/>

⁹ <http://news.chinatungsten.com/en/component/content/article/14-tungsten-news-en/tungsten-product-news/158697-tpn-12740.html>

¹⁰ <https://pubs.acs.org/doi/full/10.1021/acs.est.3c01327>

¹¹ <https://energydigital.com/articles/neo-produces-specialised-magnets-for-clean-energy-tech>

¹² <https://www.fastmarkets.com/insights/rare-earth-magnet-production-outside-asia-gearing-up-2024-preview/>

Projects Overview

Woxna Graphite Mine and 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, all located some 8 kilometres ("km") WNW of the town of Edsbyn, Sweden, approximately a 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 (the "Anode Project"). 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 ("PEA") 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.com. 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 which was demonstrated in a subsequent 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 LCA results were announced, subsequently confirmed in the final report, 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.

On October 6, 2021, the signing of a non-binding Heads of Agreement (the “MOU”) between the Company’s 100% owned Swedish subsidiary Woxna Graphite AB (“WGAB”) and Sydney, Australia, based Sicona Battery Technologies Pty Ltd (“Sicona”) was announced. The Heads of Agreement lays out the path for the establishment of a Sweden based 50/50 Joint Venture (the “JV”) targeting the production of advanced natural

graphite and silicon-graphite-carbon composite active anode materials using natural graphite from the Woxna Graphite mine as feedstock to offer the European lithium-ion battery manufacturing industry a secure and sustainable supply of high-performance anode materials. Sicona is commercialising innovative silicon-graphite-carbon composite anode and binder technology and materials that have been developed over the last ten years at the Australian Institute for Innovative Materials at the University of Wollongong and now owned by Sicona. The MOU lays out certain work packages with the ultimate objective being a Sweden based advanced anode materials production facility targeting an annual production of up to 20,000 tonnes per year of multiple active anode materials products using Woxna graphite feedstock and other complementary suitable feedstocks such as externally sourced silicon and other carbon or graphite materials utilizing Sicona's significant proprietary IP and know-how.

Key points of the JV as envisioned in the MOU;

- The establishment of a Swedish corporation owned 50/50 by WGAB and Sicona to operate the JV out of Sweden;
- The design, funding and launch of a 500 tonnes per annum stage 1 commercial demonstration plant at a suitable location from the Woxna Graphite mine to produce multiple active anode materials products for advanced customer qualification trials;
- Appropriate feasibility study for a 7,000 to 20,000 tonnes per annum full scale commercial production facility;
- Funding, building and operation of a full scale commercial production facility;
- Woxna to enter an offtake agreement with the JV to sell it all of its graphite concentrate production on a graphite related all in cost basis plus a 30% margin, with a cap at the price equivalent to an appropriate graphite pricing benchmark less 15% (the "Off-take Agreement");
- The JV to be granted a non-exclusive, non-transferable, non-sublicensable license for Sicona's IP to produce carbon coated graphite based and silicon-graphite-carbon based active anode materials (the "License Agreements");
- JV to retain exclusivity over the IP in Sweden, with additional timelines proposed to prohibit the licensing of the IP within Europe to other parties; and
- A twelve month exclusivity period during which Woxna and Sicona are prohibited from soliciting alternative transactions to the proposed JV and must deal exclusively with each other (the "Exclusivity Provision").

The establishment of the JV is subject to entering into a definitive binding joint venture agreement governing the Swedish JV corporation (the "Definitive Joint Venture Agreement", and together with the Off-take Agreement and the License Agreements, the "Definitive Agreements"), the Off-take Agreement and the License Agreements and completion of satisfactory due diligence and receipt of all necessary board and regulatory approvals. Other than the Exclusivity Provision and certain other standard provisions relating to confidentiality, expenses and governing law, the MOU is non-binding in nature and neither WGAB nor Sicona are under any obligation to enter into, or continue negotiations regarding, the Definitive Joint Venture Agreement. No binding agreement will exist between WGAB and Sicona relating to a JV unless and until the Definitive Joint Venture Agreement has been finalized and executed. There is no assurance or guarantee that the Definitive Agreements will be executed or materialize.

Bulk trials with preferred equipment suppliers to produce spherical purified graphite have been completed successfully and the materials have been sent to Sicona for further refinement in their recently commissioned pilot plant. These materials will be tested and sent for customer trials as a basis for moving the anode project to the next phase.

In February 2022 (see [news release dated February 11, 2022](#)) the Company announced the initiation of an internal review focused on the potential to restart production at the Woxna graphite mine. The internal review was triggered by a strong development in European graphite pricing, signs of strong graphite demand and continuing supply chain disruptions. The Company is actively engaging with the downstream graphite market in order to evaluate the optimal marketing strategy for the planned production prior to making a final investment decision on a restart of 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 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, 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 an updated 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.com. 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 9,987 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 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. On June 20, 2022, the Supreme Administrative Court of Sweden ruled to confirm that current legislation requires a Natura 2000 permit prior to the evaluation of a mining lease leading to the Company retracting the appeal against the Norra Karr mining lease rejection. In accordance with the confirmed legal framework a decision to initiate a Natura 2000 permit application process for the Norra Karr project was taken.

In June 2020, the Company received confirmation that the exploration license for the Norra Karr project 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 in March 2021. The extension of the exploration license was appealed to the next instance, which in March 2022 denied leave to appeal. On June 10, 2022, another law came into force to mitigate the impacts of COVID-19 further extending the Norra Karr exploration license to August 31, 2026.

Bihor Sud Nickel-Cobalt and Polymetallic 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. 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. In May 2022, LEM Romania signed the exclusive exploration license with NAMR.

The exploration license perimeter covers a 25 square kilometer area in the Northern Apuseni Mountains of Transylvania. The Apuseni Mountains are located in the northern extension of the Western Tethyan Metallogenic Belt, one of the world’s more prominent orogenic belts that hosts numerous significant past producing mines and newly discovered mineral deposits. LEM Romania applied for the License with the goal to expand on indications of high-grade cobalt, nickel and polymetallic mineralization collected in the framework of its earlier prospecting license covering the same area.

Located approximately 90 km south-east from Oradea which is the administrative capital of Bihor County, Bihor Sud lies within the Upper Cretaceous and Neogene Carpathian magmatic arcs which extend from Turkey to Hungary and are host to several well-known mines and mineral deposits such as the Timok-Bor-Majdanpek copper-gold zone, Skouries and Chelopec. The Northern Apuseni Mountains have documented high grade skarn and carbonate replacement mineral deposits and historic production of Cu, Mo, Ag, Au, Zn, U and Pb associated with Tethyan Arc intrusions. Within the License area, there is a significant amount of historical mine works including a substantial former underground uranium mine which stopped production in the 1990s. Approximately 15 km northwest from the License, The Company’s local joint-venture partner operates a high-quality dolomite mine, the Baita Skarn Mine, which has historic mining of Cu, Mo, Bi, Au, Ag, Zn, Pb and W.

Under the earlier prospecting work, staff and consultants to LEM Romania compiled historic data, sampled historic mine waste dumps and completed preliminary ground geophysics and soil sampling. Historic mining in the area tapped Co-Ni mineralization deposited at the top of a regional carbonate level and overlying dark schist in the form of replacement bodies and dissemination. Within a 5 x 2 km zone, grab samples were taken from 7 waste dumps near gallery mouths, showing mostly disseminated mineralization in dark schist and carbonate. Both, cobalt and nickel grades in these rocks, are often in the percent-range, increasing strongly as stringers occur, which locally lead to massive Co-Ni-ore pockets.

On 23 January 2023, the Company reported being ahead of schedule and having entered the first target, Gallery G7.

On June 1, 2023, the Company announced in-situ assay results at over 30% Nickel and 4.7% Cobalt at Bihor Sud. Additionally, surface trench assay results indicate a zone of Pb-Zn-Ag mineralisation.

On October 25, 2023, the company announced receiving high grade Cobalt-Nickel results from systematic gallery chip sampling at its Bihor Sud Project, Romania. Results confirm in-situ high grade Co-Ni-Au and Cu-Zn-Pb-Ag mineralization within +150 m and 350 m gallery segments in G7 and G4 respectively. G7 highlights include 3.5% Cobalt, 29.7% Nickel and 15.65 g/t Au. G4 highlights include 11.7% Copper, 11.7% Lead and 18.7% Zinc.

On December 14, 2023, the company announced it has received further positive assay results for Co-Ni-Au from Gallery 7. This second batch of 104 samples prolongate the zone of Co-Ni-Au-occurrences by about 250 m to a total length of roughly 400 m NNW-SSE, and constitute the central-southern part of G7 at the Bihor Sud project in Romania. Highlights include 6.7% Co, 13.0% Ni, 7.5 g/t Au.

The Company feels encouraged by prospects for a resource given this initial remarkable discovery.

Qualified Person

The scientific, technical and economic information related to the Norra Karr project has been reviewed and approved by Dr. Rob Howell 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.

Martin S. Oczlon, PhD Geo, CEng MIMMM, a consultant to Leading Edge Materials and Qualified Person as defined in NI 43-101, has reviewed and verified the technical content related to the Bihor Sud project.

Financial Information

The report for three months ending January 31, 2024, is expected to be published on or about March 22, 2024.

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 2023 | | | | Fiscal 2022 | | | |
|---------------------------------|------------------------|---------------------|----------------------|------------------------|--------------------------------------|-----------------------------------|------------------------------------|--------------------------------------|
| | October 31, 2023 \$ | July 31, 2023 \$ | April 30, 2023 \$ | January 31, 2023 \$ | October 31, 2022 (Restated) \$ | July 31, 2022 (Restated) \$ | April 30, 2022 (Restated) \$ | January 31, 2022 (Restated) \$ |
| Operations | | | | | | | | |
| Expenses | (582,552) | (313,950) | (1,048,182) | (489,432) | (860,062) | (685,569) | (700,413) | (459,407) |
| Other items | 195,209 | (8,442) | (187,421) | (147,703) | 308,721 | (190,659) | (356,226) | (219,942) |
| Comprehensive profit/(loss) | (387,343) | (322,392) | (1,235,603) | (637,135) | (551,341) | (876,228) | (1,056,639) | (679,349) |
| Basic Profit/(loss) per share | (0.00) | (0.00) | (0.01) | (0.00) | (0.00) | (0.00) | (0.01) | (0.01) |
| Diluted profit/(loss) per share | (0.00) | (0.00) | (0.01) | (0.00) | (0.00) | (0.00) | (0.01) | (0.01) |
| Financial Position | | | | | | | | |
| Working capital | 2,713,098 | 848,952 | 1,344,044 | 2,124,643 | 1,365,657 | 1,686,095 | 2,396,484 | 3,236,870 |
| Total assets | 25,387,449 | 23,584,544 | 24,181,654 | 24,845,430 | 23,832,418 | 24,827,062 | 25,000,847 | 30,597,341 |
| Total non-current liabilities | (4,670,790) | (5,109,575) | (5,404,808) | (5,556,603) | (5,292,618) | (6,159,922) | (6,045,964) | (10,812,012) |

Fiscal Year 2022 Restatement

For the year ended October 31, 2023, management has determined that the consolidated financial statements for the year ended October 31, 2022 needed to be restated to correct for the accounting for the following matter:

To record share based compensation as \$974,462 instead of \$1,421,437 because previously share-based compensation expense was booked based on immediate vesting in which fair value at grant date has been expensed in full but stock option issuances are subject to vesting conditions. The issuance during the year ended October 31, 2022 was in two tranches, each tranche is recognized separately and accordingly its share-based compensation is amortized on a straight-line basis over the vesting period.

Results of Operations

Three Months Ended October 31, 2023, Compared to Three Months Ended July 31, 2023

During the three months ended October 31, 2023 ("Q4 2023") the Company reported a net loss of \$387,343 compared to a reported net loss of \$322,392 for the three months ended July 31, 2023 ("Q3 2023"), an increase in loss of \$64,951. Major movements are in Shares based compensation booked during Q4 2023 of \$46,683 compared to \$Nil in Q3 2023, Accretion of provision for site restoration booked during Q4 2023 of \$74,428 compared to \$10,200 in Q3 2023, which is offset by foreign exchange gain booked during Q4 2023 of \$125,700 compared to loss of \$51,554 in Q3 2023 and interest booked during Q4 2023 of \$26,959 compared to \$9,047 in Q3 2023.

Year Ended October 31, 2023, Compared to Year Ended October 31, 2022 (Restated)

During the year ended October 31, 2023 ("fiscal year 2023") the Company reported a net loss of \$2,582,473 compared to a net loss of \$3,163,557 for the year ended October 31, 2022 ("fiscal year 2022"), a decrease in loss of \$581,084. The decrease in loss was primarily attributed to Directors and officer's compensation of

\$182,341 in fiscal year 2023 compared to \$443,700 in fiscal year 2022, Shares based compensation during fiscal year 2023 of \$854,275 compared to \$974,462 in fiscal year 2022 and foreign exchange loss of \$137,529 in fiscal year 2023 compared to gain of \$151,206 in fiscal year 2022.

Specific expenses of note during the year ended October 31, 2023 are as follows:

- (i) incurred \$182,341 (2022 - \$443,700) for directors and officer's compensation.
- (ii) incurred \$183,568 (2022 - \$198,495) for listing and regulatory fees with respect to ongoing fees for the Company's listing of its common shares on the TSXV, Nasdaq First North and OTC exchanges.
- (iii) incurred a total of \$158,872 (2022 - \$139,204) for accounting and audit out of which the Company incurred \$57,948 (2022 - \$50,526) for accounting services of SKS Business Services along with \$34,238 (2022 - \$28,885) for bookkeeping and accounting services for subsidiary companies provided by other independent accountants;
- (iv) incurred research, development and general exploration of \$268,143 (2022 - \$79,774);
- (v) incurred \$225,469 (2022 - \$223,134) in costs for operations.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During the year ended October 31, 2023 the Company reported interest income of \$61,492 compared to \$25,497 during the year ended October 31, 2022.

During the year ended October 31, 2023, the Company recorded a foreign exchange loss of \$137,529 due to changes in exchange rates, compared to gain of \$151,206 during the year ended October 31, 2022.

Financings

During the year ended October 31, 2023, 13,000,000 warrants were exercised for gross proceeds of \$1,300,000.

During the year ended October 31, 2023, the Company completed a private placement financing of 21,739,130 units at a price of \$0.115 per unit for gross proceeds of \$2,500,000. The Company paid finders' fees of \$20,930 cash and issued 7,000 finder's warrants.

During the year ended October 31, 2023, 4,700,000 stock options were granted at an exercise price of \$0.195 and 700,000 stock options were granted at an exercise price of \$0.20.

During the year ended October 31, 2022, 500,000 options and 4,421,428 warrants were exercised for gross proceeds of \$112,500 and \$1,620,500 respectively.

During the year ended October 31, 2022, 550,509 shares were issued to REMAT group at a fair value of \$178,916 per joint venture agreement for the Bihor Sud project and 27,525 shares were issued at fair value of \$9,083 as finder fees, both relating to the signing of the exploration license for the project.

During the year ended October 31, 2022, 3,200,000 stock options were granted at an exercise price of \$0.62.

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, 2021 | 16,094 | 287,018 | 344,139 | 7,567,878 | 11,000,845 | 19,215,974 |
| Adjustment to site restoration | - | - | - | - | (4,612,109) | (4,612,109) |
| Balance at October 31, 2022 | 16,094 | 287,018 | 344,139 | 7,567,878 | 6,388,736 | 14,603,865 |
| Addition | - | 3,410 | - | - | - | 3,410 |
| Adjustment to site restoration | - | - | - | - | (727,313) | (727,313) |
| Balance at October 31, 2023 | 16,094 | 290,428 | 344,139 | 7,567,878 | 5,661,423 | 13,879,962 |

Accumulated Depreciation and Impairment:

| | | | | | | |
|------------------------------------|----------------|------------------|------------------|--------------------|--------------------|--------------------|
| Balance at October 31, 2021 | (3,677) | (263,728) | (146,138) | (3,910,218) | (5,000,000) | (9,323,761) |
| Depreciation | (765) | (1,435) | (21,868) | - | - | (24,069) |
| | (4,442) | (265,163) | (168,006) | (3,910,218) | (5,000,000) | (9,347,830) |
| Balance at October 31, 2022 | | | | | | |
| Depreciation | (732) | (1,374) | (20,922) | - | - | (23,027) |
| Balance at October 31, 2023 | (5,174) | (266,537) | (188,928) | (3,910,218) | (5,000,000) | (9,370,857) |

Carrying Value:

| | | | | | | |
|-----------------------------|---------------|---------------|----------------|------------------|------------------|------------------|
| Balance at October 31, 2022 | 11,652 | 21,855 | 176,133 | 3,657,660 | 1,388,736 | 5,256,035 |
| Balance at October 31, 2023 | 10,920 | 23,891 | 155,211 | 3,657,660 | 661,423 | 4,509,105 |

Exploration and Evaluation Assets

| | Graphite concessions \$ | Anode Project \$ | Norra Karr \$ | Romania \$ | Total \$ |
|------------------------------------|----------------------------|---------------------|-------------------|------------------|-------------------|
| Balance at October 31, 2021 | 14,787 | - | 16,188,353 | - | 16,203,140 |
| Costs | | | | | |
| Additions during the year | - | 81,117 | 172,998 | 452,408 | 706,523 |
| Balance at October 31, 2022 | 14,787 | 81,117 | 16,361,351 | 452,408 | 16,909,663 |
| Costs | | | | | |
| Additions during the year | - | - | 7,333 | 908,593 | 915,926 |
| Write Off | - | (81,117) | - | - | (81,117) |
| Balance at October 31, 2023 | 14,787 | - | 16,368,684 | 1,361,001 | 17,744,472 |

Financial Condition / Capital Resources

During the year ended October 31, 2023, the Company recorded a net loss of \$2,582,473 and, as of October 31, 2023, the Company had an accumulated deficit of \$46,850,300 and working capital of \$2,713,098. 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 value specialty products. The Company is also evaluating a potential restart of production at the Woxna Graphite Mine. 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, establish a production facility for the Anode Project, to fund future development of the Norra Karr Property or to complete 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.

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, 2023 audited annual consolidated financial statements.

Changes in Accounting Policies

There is no change in accounting policy during the year ended October 31, 2023.

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, 2023 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 consist of members of the Company's current and former Board of Directors and its executive officers.

(a) During the year ended October 31, 2023 and 2022 the following compensation was incurred:

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Mr. Filip Kozlowski, former CEO and former director ⁽¹⁾ | - | 294,551 |
| Mr. Lars-Eric Johansson, Chairman and director ⁽¹⁾ | 31,400 | 30,000 |
| Mr. Eric Krafft, interim CEO and director ⁽¹⁾ | 31,400 | 30,000 |
| Mr. Daniel Major, director ⁽¹⁾ | 31,409 | 30,000 |
| Mr. Sanjay Swarup, CFO ⁽²⁾ | 37,732 | 33,669 |
| Ms. Manuela Balaj-Coroiu, Corporate Secretary ⁽³⁾ | 50,400 | 25,480 |
| | <u>182,341</u> | <u>443,700</u> |

(1) Lars-Eric Johansson, Daniel Major and Eric Krafft were appointed as new Directors on May 4, 2020. Concurrently, a change in senior management was announced with the appointment of Mr. Filip Kozlowski former Chief Executive Officer had resigned as a director on the same date. On August 30, 2022 Filip Kozlowski resigned from the post of CEO effective on October 14, 2022 with Eric Krafft taking over as interim CEO.

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

(3) Ms. Manuela Balaj-Coroiu of Cohesion Consulting Group Inc has been appointed as corporate Secretary on July 28, 2022.

(b) During the year ended October 31, 2023, the Company incurred \$57,948 (2022 - \$50,526) for accounting services of SKS Business Services.

- (c) In addition, the company incurred share-based compensation for key management personnel as follows:

| | 2023 | 2022 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Mr. Eric Krafft | 258,660 | 124,931 |
| Mr. Lars-Eric Johansson | 170,974 | 124,931 |
| Mr. Daniel Major | 170,974 | 124,931 |
| Ms. Manuela Balaj-Coroiu | 25,633 | - |
| Mr. Sanjay Swarup | 8,769 | - |
| Mr. Filip Kozlowski | - | 399,779 |
| | 635,010 | 774,572 |

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As of January 24, 2024, there were 190,951,949 issued and outstanding common shares, 53,746,130 warrants outstanding with exercise prices ranging from \$0.20 to \$0.225 per share and 8,600,000 share options outstanding with exercise prices ranging from \$0.195 to \$0.62 per share.