



# **LEADING EDGE MATERIALS CORP.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
JANUARY 31, 2023

*(Unaudited - Expressed in Canadian Dollars)*

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

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

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

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

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

	Note	January 31, 2023 \$	October 31, 2022 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		1,996,695	1,198,536
GST/VAT receivables		19,406	15,915
Prepaid expenses		38,455	45,350
Investments	3	96,027	148,839
Inventory		80,135	77,165
Plant stores and supplies		86,484	83,278
<b>Total current assets</b>		<b>2,317,202</b>	<b>1,569,083</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	4	16,944,640	16,909,663
Property, plant and equipment	5	5,486,940	5,256,035
Reclamation deposit	6	96,648	97,637
<b>Total non-current assets</b>		<b>22,528,228</b>	<b>22,263,335</b>
<b>TOTAL ASSETS</b>		<b>24,845,430</b>	<b>23,832,418</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		192,559	203,426
<b>Non-current liabilities</b>			
Provision for site restoration	6	5,040,640	4,795,779
Property acquisition obligation	4(a), 5	515,963	496,839
<b>Total non-current liabilities</b>		<b>5,556,603</b>	<b>5,292,618</b>
<b>TOTAL LIABILITIES</b>		<b>5,749,162</b>	<b>5,496,044</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	56,742,053	55,442,053
Share-based payments reserve	7(d)	7,706,152	7,609,123
Deficit		(45,351,937)	(44,714,802)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>19,096,268</b>	<b>18,336,374</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>24,845,430</b>	<b>23,832,418</b>

**Nature of Operations and Going Concern** - Note 1

**Events after the Reporting Period** - Note 12

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on March 22, 2023 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**

*(Unaudited - Expressed in Canadian Dollars)*

	Notes	Three Months Ended January 31,	
		2023 \$	2022 \$
<b>Expenses</b>			
Accretion of provision for site restoration	6	10,200	10,201
Corporate development and IR		26,206	39,649
Depreciation	5	5,824	6,552
Directors and officer's compensation	8(a)	44,546	99,666
Research, development and general exploration		32,797	28,141
Accounting and audit	8(b)	34,061	28,040
General and administration		12,495	16,424
Listing and regulatory costs		47,117	56,679
Operations		87,868	57,755
Salaries, compensation and benefits		83,483	82,722
Professional fees		692	26,360
Share-based compensation		97,029	1,421,437
Write off of Exploration and Evaluation assets	4(c)	81,117	-
Travel		7,114	781
		<u>570,549</u>	<u>1,874,407</u>
<b>Loss before other items</b>		<u>(570,549)</u>	<u>(1,874,407)</u>
<b>Other items</b>			
Foreign exchange		(24,220)	(6,154)
Interest income		10,446	3,726
Mark to market adjustment loss		(52,812)	(219,208)
Other income		-	1,694
		<u>(66,586)</u>	<u>(219,942)</u>
<b>Net loss and comprehensive loss</b>		<u>(637,135)</u>	<u>(2,094,349)</u>
<b>Loss per share – basic and diluted</b>	9	<u>(\$0.00)</u>	<u>(\$0.01)</u>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<u>155,632,229</u>	<u>150,808,457</u>

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

**Three Months Ended January 31, 2023**

	<b>Share Capital</b>		<b>Share-Based Payments Reserve</b>	<b>Deficit</b>	<b>Total Equity</b>
	<b>Number of Shares</b>	<b>Amount \$</b>			
<b>Balance at October 31, 2022</b>	<b>152,523,533</b>	<b>55,442,053</b>	<b>7,609,123</b>	<b>(44,714,802)</b>	<b>18,336,374</b>
Common shares issued for:					
Warrants exercised	13,000,000	1,300,000	-	-	1,300,000
Share-based compensation	-	-	97,029	-	97,029
Net loss for the period	-	-	-	(637,135)	(637,135)
<b>Balance at January 31, 2023</b>	<b>165,523,533</b>	<b>56,742,053</b>	<b>7,706,152</b>	<b>(45,351,937)</b>	<b>19,096,268</b>

**Three Months Ended January 31, 2022**

	<b>Share Capital</b>		<b>Share-Based Payments Reserve</b>	<b>Deficit</b>	<b>Total Equity</b>
	<b>Number of Shares</b>	<b>Amount \$</b>			
<b>Balance at October 31, 2021</b>	<b>147,024,071</b>	<b>53,521,054</b>	<b>6,187,686</b>	<b>(41,104,270)</b>	<b>18,604,470</b>
Common shares issued for:					
Options exercised	200,000	45,000	-	-	45,000
Warrants exercised	4,421,428	1,620,500	-	-	1,620,500
Share-based compensation	-	-	1,421,437	-	1,421,437
Net loss for the period	-	-	-	(2,094,349)	(2,094,349)
<b>Balance at January 31, 2022</b>	<b>151,645,499</b>	<b>55,186,554</b>	<b>7,609,123</b>	<b>(43,198,619)</b>	<b>19,597,058</b>

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

**LEADING EDGE MATERIALS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(Unaudited - Expressed in Canadian Dollars)*

	<b>Three Months Ended</b>	
	<b>January 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the period	(637,135)	(2,094,349)
Adjustments for:		
Accretion of provision for site restoration	10,200	10,201
Depreciation	5,824	6,552
Write off of Exploration and Evaluation assets	81,117	-
Foreign exchange	13,938	(24,623)
Mark to market adjustment loss	52,812	219,208
Sharebased compensation	97,029	1,421,437
Changes in non-cash working capital items:		
GST/VAT receivables	(3,491)	(5,770)
Prepaid expenses and other	6,895	17,556
Accounts payable and accrued liabilities	(10,867)	(16,979)
<b>Net cash used in operating activities</b>	<b>(383,678)</b>	<b>(466,767)</b>
<b>Investing activity</b>		
Expenditures on exploration and evaluation assets	(116,094)	(92,381)
Additions to property, plant and equipment	(2,069)	-
<b>Net cash from (used in) investing activity</b>	<b>(118,163)</b>	<b>(92,381)</b>
<b>Financing activities</b>		
Issuance of common shares	1,300,000	1,665,500
<b>Net cash provided by financing activities</b>	<b>1,300,000</b>	<b>1,665,500</b>
<b>Net change in cash</b>	<b>798,159</b>	<b>1,106,352</b>
<b>Cash at beginning of the period</b>	<b>1,198,536</b>	<b>1,316,797</b>
<b>Cash at end of the period</b>	<b>1,996,695</b>	<b>2,423,149</b>

**Supplemental cash flow information** - See Note 10

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

**LEADING EDGE MATERIALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2023**  
*(Unaudited - Expressed in Canadian Dollars)*

**1. Nature of Operations and Going Concern**

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 three months ended January 31, 2023 the Company recorded a net loss of \$637,135 and, as at January 31, 2023, the Company had an accumulated deficit of \$45,351,937 and working capital of \$2,124,643. For the Woxna Graphite Mine the Company maintains ongoing research and development to produce higher specialty products such as high purity graphite for battery and other specialty end uses. The Company is maintaining its Woxna Graphite Mine on a "production-ready" basis to minimize costs whilst such development work is ongoing. For the Norra Kärr HREE project the Company's main focus is progressing the ongoing mining lease application process and development work to increase resource efficiency and minimize local environmental footprint for the project. A Natura 2000 permit application process has been initiated. Finally, for the Bihor Sud exploration project the Company is rapidly progressing its exploration program in line with what has been previously communicated. 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 products, to fund future development of the Norra Kärr Property and 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 and development programs, and mining operations.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Federal, regional, and local authorities in Canada, the United States, and other nations continue to restrict the ability of people to leave their homes and carry out normal day-to-day activities. These measures will have a significant, negative effect on the economy of all nations for an uncertain period of time. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

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

**LEADING EDGE MATERIALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2023**  
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**2. Basis of Preparation**

***Statement of Compliance***

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”), and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2022, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s consolidated financial statements for the year ended October 31, 2022.

***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. Investments**

Investments held by the Company are as follows:

<u>Particulars</u>	<u>January 31, 2023</u>	<u>October 31, 2022</u>
	<u>\$</u>	<u>\$</u>
397,942 shares in United Lithium Corp.	77,599	107,444
400,000 warrants in United Lithium Corp. (Expire on April 29,2024)	18,428	41,395
<b>Total</b>	<b>96,027</b>	<b>148,839</b>

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 3.16%, expected stock volatility of 91.46% and forfeiture rate of 0.0%.



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**FOR THE THREE MONTHS ENDED JANUARY 31, 2023**  
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**4. Exploration and Evaluation Assets**

	As at January 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	958,729	16,361,351	15,402,622	958,729	16,361,351
Woxna graphite	-	-	-	-	81,117	81,117
Romania	187,999	380,503	568,502	187,999	264,409	452,408
	<b>15,600,702</b>	<b>1,343,938</b>	<b>16,944,640</b>	<b>15,600,702</b>	<b>1,308,961</b>	<b>16,909,663</b>
		<b>Graphite concessions \$</b>	<b>Anode Project \$</b>	<b>Norra Karr \$</b>	<b>Romania \$</b>	<b>Total \$</b>
<b>Balance at October 31, 2021</b>		<b>14,787</b>	<b>-</b>	<b>16,188,353</b>	<b>-</b>	<b>16,203,140</b>
<b>Costs</b>						
Additions during the year		-	81,117	172,998	452,408	706,523
<b>Balance at October 31, 2022</b>		<b>14,787</b>	<b>81,117</b>	<b>16,361,351</b>	<b>452,408</b>	<b>16,909,663</b>
<b>Costs</b>						
Additions during the period		-	-	-	116,094	116,094
Write off		-	(81,117)	-	-	(81,117)
<b>Balance at January 31, 2023</b>		<b>14,787</b>	<b>-</b>	<b>16,361,351</b>	<b>568,502</b>	<b>16,944,640</b>

(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.

**LEADING EDGE MATERIALS CORP.**  
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**4. Exploration and Evaluation Assets (continued)**

(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.

(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 2022 \$81,117 of exploration cost were capitalized, based on assessment made the nature of these expense were found to be general exploration expense in nature and does not qualify to be capitalized as per IFRS 6 Exploration and Evaluation of Exploration properties, accordingly during three months ended January 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 NI 43-101 Feasibility Study technical report.

Under the JV Agreement, upon the filing of a NI 43-101 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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**5. Property, Plant and Equipment**

<b>Cost:</b>	<b>Vehicles \$</b>	<b>Equipment and Tools \$</b>	<b>Building \$</b>	<b>Manufacturing and Processing Facility \$</b>	<b>Mineral Property Acquisition and Development Costs \$</b>	<b>Total \$</b>
Balance at October 31, 2021	<b>16,094</b>	<b>287,018</b>	<b>344,139</b>	<b>7,567,878</b>	<b>11,000,845</b>	<b>19,215,974</b>
Adjustment to site restoration	-	-	-	-	(4,612,109)	(4,612,109)
Balance at October 31, 2022	<b>16,094</b>	<b>287,018</b>	<b>344,139</b>	<b>7,567,878</b>	<b>6,388,736</b>	<b>14,603,865</b>
Addition	-	2,069	-	-	-	2,069
Adjustment to site restoration	-	-	-	-	234,660	234,660
Balance at January 31, 2023	<b>16,094</b>	<b>289,087</b>	<b>344,139</b>	<b>7,567,878</b>	<b>6,623,396</b>	<b>14,840,594</b>
<b>Accumulated Depreciation and Impairment:</b>						
Balance at October 31, 2021	<b>(3,677)</b>	<b>(263,728)</b>	<b>(146,138)</b>	<b>(3,910,218)</b>	<b>(5,000,000)</b>	<b>(9,323,761)</b>
Depreciation	(765)	(1,435)	(21,868)	-	-	(24,069)
Balance at October 31, 2022	<b>(4,442)</b>	<b>(265,163)</b>	<b>(168,006)</b>	<b>(3,910,218)</b>	<b>(5,000,000)</b>	<b>(9,347,830)</b>
Depreciation	(185)	(348)	(5,291)	-	-	(5,824)
Balance at January 31, 2023	<b>(4,627)</b>	<b>(265,511)</b>	<b>(173,298)</b>	<b>(3,910,218)</b>	<b>(5,000,000)</b>	<b>(9,353,654)</b>
<b>Carrying Value:</b>						
Balance at October 31, 2022	<b>11,652</b>	<b>21,855</b>	<b>176,133</b>	<b>3,657,660</b>	<b>1,388,736</b>	<b>5,256,035</b>
Balance at January 31, 2023	<b>11,467</b>	<b>23,576</b>	<b>170,841</b>	<b>3,657,660</b>	<b>1,623,396</b>	<b>5,486,940</b>

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 January 31, 2023 the Company has recognized \$515,963 (October 31, 2022 - \$496,839) for the Property Acquisition Obligation associated with the Kringelgruvan concession, as described in Note 4(a)(i).

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2023**  
*(Unaudited - Expressed in Canadian Dollars)*

**6. Provision for Site Restoration**

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

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk-free rate of 2.13% (2022 - 2.19%) and an inflation factor of 2.00% (2022- 2.00%). 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:

	\$
<b>Balance at October 31, 2021</b>	<b>9,367,086</b>
Accretion	40,802
Revision of estimates	(3,274,582)
Foreign exchange adjustment	<u>(1,337,527)</u>
<b>Balance at October 31, 2022</b>	<b>4,795,779</b>
Accretion	10,200
Revision of estimates	50,066
Foreign exchange adjustment	<u>184,595</u>
<b>Balance at January 31, 2023</b>	<b><u>5,040,640</u></b>

As at January 31, 2023 reclamation deposits totaling \$96,648 (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 January 31, 2023 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

**7. Share Capital**

(a) **Authorized Share Capital**

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

(b) **Equity Financings**

*Three Months ended January 31, 2023*

During three months ended January 31, 2023, 13,000,000 warrants were exercised for gross proceeds of \$1,300,000.

*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.

**LEADING EDGE MATERIALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2023**  
*(Unaudited - Expressed in Canadian Dollars)*

**7. Share Capital (continued)**

(c) **Warrants**

During three months ended January 31, 2023, 13,000,000 warrants were exercised for gross proceeds of \$1,300,000.

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at January 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 period	49,079,286	0.17	55,164,284	0.19
Issued	-	-	-	-
Exercised	(13,000,000)	0.10	(4,421,428)	0.37
Expired	-	-	(1,663,570)	0.37
	<b>36,079,286</b>	0.20	<b>49,079,286</b>	0.17

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

Number	Exercise Price \$	Expiry Date
4,079,286	0.10	December 30, 2023
32,000,000	0.20	August 7, 2024
<b>36,079,286</b>	<b>0.19</b>	

(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.

700,000 stock options were granted at an exercise price of \$0.20 during the three months ended January 31, 2023 (2022 - 3,200,000). The value of options granted was determined using the Black-Scholes option pricing model. A weighted average grant date fair value of \$0.13861 (2022 - 0.4442) 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.

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.

**LEADING EDGE MATERIALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2023**  
*(Unaudited - Expressed in Canadian Dollars)*

**7. Share Capital (continued)**

A summary of the Company's share options at January 31, 2023 and October 31, 2022 and the changes for the period 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 period	8,070,000	0.43	5,870,000	0.31
Issued	700,000	0.20	3,200,000	0.62
Exercised	—	-	(500,000)	0.23
Expired	<u>(1,320,000)</u>	0.10	<u>(500,000)</u>	0.56
Balance end of period	<u><b>7,450,000</b></u>	0.46	<u><b>8,070,000</b></u>	0.43

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

Number	Exercise Price \$	Expiry Date
3,400,000	0.155	August 11, 2023
150,000	0.33	August 14, 2023
3,200,000	0.62	January 27, 2025
<u>700,000</u>	0.20	November 3, 2027
<u><b>7,450,000</b></u>		

**8. Related Party Disclosures**

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

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

	2023 \$	2022 \$
Directors and officer's compensation (current and former)	44,546	99,666
Share based compensation (current and former)	<u>27,723</u>	<u>1,066,078</u>
	<u>72,269</u>	<u>1,165,744</u>

As at January 31, 2023, \$6,869 (October 31, 2022 - \$9,946) 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 period ended January 31, 2023, the Company incurred \$14,506 (2022 - \$11,832) for accounting services by SKS Business Services.

Chase Management Ltd. ("Chase"), a private corporation owned by the Corporate Secretary of the Company, provides administrative services. During the three months ended January 31, 2023, the

**LEADING EDGE MATERIALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2023**  
*(Unaudited - Expressed in Canadian Dollars)*

**8. Related Party Disclosures** (continued)

Company incurred \$Nil (2022 - \$300) for services provided by Chase personnel. As at January 31, 2023, \$Nil (2022 - \$Nil) remained unpaid.

**9. Income per share**

As at January 31, 2023 and 2022, the weighted average number of common shares for the purpose of calculating diluted income per share reconciles to the weighted average number of common shares used in the calculation of basic income per share as follows:

Particulars	January 31, 2023 \$	January 31, 2022 \$
Net loss for the period.	(637,135)	(2,094,349)
Basic weighted average number of shares outstanding	155,632,229	150,808,457
Diluted weighted average number of shares outstanding	<u>155,632,229</u>	<u>150,808,457</u>
<b>Loss per share – basic and diluted</b>	<b><u>(\$0.00)</u></b>	<b><u>(\$0.01)</u></b>

**10. Financial Instruments and Risk Management**

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

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

Financial Instrument	Category	January 31, 2023 \$	October 31, 2022 \$
Cash	FVTPL	1,996,695	1,198,536
Reclamation deposit	amortized cost	96,648	97,637
Investments	FVTPL	96,027	148,839
Accounts payable and accrued liabilities	amortized cost	(192,559)	(203,426)
Property acquisition obligation	amortized cost	(515,963)	(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.

**LEADING EDGE MATERIALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2023**  
*(Unaudited - Expressed in Canadian Dollars)*

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

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

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

*Credit Risk*

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

*Liquidity Risk*

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

**Contractual Maturity Analysis at January 31, 2023**

	Carrying Amount \$	Contractual Cash Flows \$	Less than 3 Months \$	1 - 5 Years \$	Over 5 Years \$
Cash	1,996,695	1,996,695	1,996,695		
Reclamation deposit	96,648	96,648			96,648
Investments	96,027	96,027		96,027	
Accounts payable and accrued liabilities	(192,559)	(192,559)	(192,559)		
Property acquisition obligation	(515,963)	(515,963)		(515,963)	

*Market Risk*

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

*Interest Rate Risk*

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

*Foreign Currency Risk*

The Company's functional currency is the Canadian Dollar and major transactions are transacted in Canadian Dollars and Swedish Krona ("SEK"). The Company maintains SEK bank accounts in Sweden to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At January 31, 2023, 1 Canadian Dollar was equal to 7.75 SEK as per Swedish Central Bank.



**LEADING EDGE MATERIALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2023**  
*(Unaudited - Expressed in Canadian Dollars)*

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

Balances are as follows:

	SEK	CDN \$ Equivalent
Cash	1,337,717	172,553
VAT receivable	133,614	17,235
Inventories	621,247	80,135
Plant stores and supplies	670,467	86,484
Reclamation deposit	749,264	96,648
Accounts payable and accrued liabilities	(627,247)	(80,909)
Property acquisition obligation	(4,000,000)	(515,963)
	<u>(1,114,938)</u>	<u>(143,817)</u>

Based on the net exposures as of January 31, 2023 and assuming that all other variables remain constant, a 10% fluctuation of the Canadian Dollar against the SEK would result in the Company's net impact being approximately \$14,382 higher or lower.

*Capital Management*

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business. The Company defines capital that it manages as share capital and cash. 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 three months ended January 31, 2023 and 2022 non-cash activities were conducted by the Company as follows:

	2023 \$	2022 \$
Operating activity		
Provision for site restoration	<u>234,660</u>	<u>727,594</u>
Investing activity		
Revisions of estimates on property, plant and equipment	<u>(234,660)</u>	<u>(727,594)</u>

**LEADING EDGE MATERIALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JANUARY 31, 2023**  
*(Unaudited - Expressed in Canadian Dollars)*

**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:

	<b>As at January 31, 2023</b>			
	<b>Corporate Canada</b>	<b>Mineral Operations Sweden</b>	<b>Mineral Operations Romania</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets	1,684,109	460,917	172,176	2,317,202
Exploration and evaluation assets	-	16,376,138	568,502	16,944,640
Property, plant and equipment	-	5,486,940	-	5,486,940
Reclamation deposit	-	96,648	-	96,648
	<u>1,684,109</u>	<u>22,420,643</u>	<u>740,678</u>	<u>24,845,430</u>

	<b>As at October 31, 2022</b>			
	<b>Corporate Canada</b>	<b>Mineral Operations Sweden</b>	<b>Mineral Operations Romania</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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>

**13. Events after the Reporting Period**

There are no material subsequent events to be reported after balance sheet date.



# **LEADING EDGE MATERIALS CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED JANUARY 31, 2023**

This Management's Discussion and Analysis ("Interim MD&A") of Leading Edge Materials Corp. ("Leading Edge Materials" or the "Company"), dated March 22, 2023, should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended January 31, 2023, and the most recent annual audited consolidated financial statements and annual Management's Discussion and Analysis. The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.leadingedgematerials.com](http://www.leadingedgematerials.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.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the Forward-Looking Statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such Forward-Looking Statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such Forward-Looking Statements. Such Forward-Looking Statements has been provided for the purpose of assisting investors in understanding the Company's business, operations and exploration plans and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on Forward-Looking Statements. Forward-Looking Statements are made as of the date hereof, and the Company does not undertake to update such Forward-Looking Statements except in accordance with applicable securities laws.

## COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. At this time, World Health Organization has not yet announced the end of the pandemic. The duration and full financial effect of the COVID-19 pandemic is unknown at this time with management monitoring developments across all jurisdictions and will adjust its planning as necessary.

## 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) and 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 Quarter

During the three months ended January 31, 2023:

- On November 3, 2022, the Company also granted stock options to officers and consultants to purchase an aggregate of 700,000 common shares of the Company, at exercise price of \$0.20 per Optioned Share, expiring on the date that is 5 years from the date of grant. The Options will vest 33% one year after the date of grant, 33% two years after the date of grant and 34% three years after the date of grant. The Options were issued pursuant to the terms of the Company's Option Plan.
- On January 9, 2023, the company issued 13,000,000 common shares on the exercise of 13,000,000 warrants by the Interim CEO for the proceeds of \$1,300,000.
- 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.

Subsequent to January 31, 2023:

- 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 the Apuseni Mountains of central-western Romania.

## Outlook

The last months have not been short of geopolitical turbulence and macro-economic challenges. If one is inclined to find a positive spin on effects of the difficulties we are facing in Europe, it may be that challenges and questions are of such large magnitude that politicians and citizens realise that we need to be open minded for large legislative changes. It has become undeniable that becoming dependent on others who may not share our values or geopolitical goals is unwise. This manifests itself in ways relevant to us by, for example, the recently proposed EU Critical Raw Materials Act.<sup>1</sup>

In brief, the proposed legislation is an enormous effort to support current and stimulate future sustainable supply chains of these deemed critical raw materials from within the union. The impact on us and our activities cannot be overstated: we are in Europe, it applies specifically to all the materials we are exposed to, streamlined and predictable permitting procedures for strategic projects, improved access to finance, etc. Cautiously factoring in beneficial additional order effects and improving public realisation of importance of sustainable access to these materials, we have to conclude that it is about twenty years since we felt such optimism for extractive industries. We are looking forward to following these important initiatives and will be reporting in due course how they directly apply to us.

Our built and permitted Woxna graphite mine and plant continues to be meticulously kept on care and maintenance. As reported, we are evaluating a restart of the mine to initially produce graphite concentrate. Aside from technical and product marketing aspects, needless to say the assessment by the Board of Directors in regard to shareholder value is key in driving a restart decision. Given the EU CRMA, the strategic importance of Woxna is enhanced in our opinion.

For the Norra Karr project, we took the decision to initiate a Natura 2000 permit application process. By doing this based on the new design of the Norra Karr project we will benefit from authorities and other stakeholders evaluating the merits of the project based on the most recent plans that substantially reduce the potential for environmental risk. In parallel, through the various environmental and metallurgical studies that may be required to support the Natura 2000 permit application the Company can further progress the Norra Karr project towards its next stages of feasibility development. We will continue to adapt our path should the legal framework evolve going forward. Aspects of the proposed EUCRMA appear particularly relevant to this project.

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<sup>1</sup> [https://single-market-economy.ec.europa.eu/publications/european-critical-raw-materials-act\\_en](https://single-market-economy.ec.europa.eu/publications/european-critical-raw-materials-act_en)

Lastly, since having received permission to enter underground galleries at our Romanian exploration project in January, this has been advancing rapidly. Results have not disappointed: in the first target gallery G7 we have encountered visual Co-Ni mineralisation over 135 m. Additionally, further extensive Co-Ni mineralisation has been identified in G4, 50 m above and in the cross-cut and raise connecting these two galleries. This indicates that we are potentially encountering sizeable systems with good potential. Immediate focus is on finishing the five exploration trenches, mapping and sampling the mineralised zones inside the galleries.

## Financial Information

The report for three months ending April 30, 2023, is expected to be published on or about June 21, 2023.

### 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				Fiscal 2021		
	January 31, 2023 \$	October 31, 2022 \$	July 31, 2022 \$	April 30, 2022 \$	January 31, 2022 \$	October 31, 2021 \$	July 31, 2021 \$	April 30, 2021 \$
<b>Operations</b>								
Expenses	(570,549)	(425,075)	(419,050)	(433,894)	(1,874,407)	(583,391)	(600,531)	(483,495)
Other items	(66,586)	308,721	(190,659)	(356,226)	(219,942)	28,466	(477,057)	1,573,567
Comprehensive profit/(loss)	(637,135)	(116,354)	(609,709)	(790,120)	(2,094,349)	(554,925)	(1,077,588)	1,090,072
Basic Profit/(loss) per share	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	0.01
Diluted profit/(loss) per share	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	0.01
<b>Financial Position</b>								
Working capital	2,124,643	1,365,657	1,686,095	2,396,484	3,236,870	2,350,166	2,803,903	3,935,156
Total assets	24,845,430	23,832,418	24,827,062	25,000,847	30,597,341	28,756,406	28,455,148	29,133,933
Total non-current liabilities	(5,556,603)	(5,292,618)	(6,159,922)	(6,045,964)	(10,812,012)	(9,946,686)	(9,054,376)	(8,620,700)

### Results of Operations

#### *Three Months Ended January 31, 2023, Compared to Three Months Ended October 31, 2022*

During the three months ended January 31, 2023 ("Q1 2023") the Company reported a net loss of \$637,135 compared to a reported net loss of \$116,354 for the three months ended October 31, 2022 ("Q4 2022"), a increase in loss by \$520,781, the increase in loss mainly due to Woxna exploration cost write-off \$81,117 (Q4 2022- \$Nil), stock based compensation \$97,029 (Q4 2022- \$Nil), foreign exchange loss \$24,612 (Q4 2022- gain \$236,983) and net mark to market adjustment loss of \$52,812 (Q4 2022- gain \$61,664).

#### *Three Months Ended January 31, 2023, Compared to Three Months Ended January 31, 2022*

During the three months ended January 31, 2023 ("2023 period"), the Company reported a net loss of \$637,135 compared to a net loss of \$2,094,349 for the three months ended January 31, 2022 ("2022 period"), a decrease in loss of \$1,457,214, the decrease in loss mainly due to share-based compensation related to granting of stock options under the Company's stock option plan of \$97,029 in Q1 2023 compared to share-based compensation of \$1,421,437 in Q4 2022.

Specific expenses of note during three months ended January 31, 2023 are as follows:

- (i) incurred \$44,546 (2022 - \$99,666) for directors and officer's compensation.
- (ii) incurred \$47,117 (2022 - \$56,679) 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 \$34,061 (2022 - \$28,040) for accounting and audit out of which the Company incurred \$14,506 (2022 - \$11,832) for accounting services of SKS Business Services along with \$5,859 (2022 - \$3,184) for bookkeeping and accounting services for subsidiary companies provided by other independent accountants;
- (iv) incurred Research, development and general exploration expenses of \$32,797 (2022 - \$28,141);
- (v) incurred \$87,868 (2022 - \$57,755) in costs for operations;
- (vi) write-off of \$81,117 (2022 - \$Nil) for capitalized exploration cost at Woxna.

Interest income is primarily generated from cash held on deposit with the Bank of Montreal. During the three months ended January 31, 2023 the Company reported interest income of \$10,446 compared to \$3,726 during the three months ended January 31, 2022.

During the three months ended January 31, 2023, the Company recorded a foreign exchange loss of \$24,220 due to changes in exchange rates, compared to a loss of \$6,154 during the three months ended January 31, 2022.

#### *Financings*

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

700,000 stock options were granted at an exercise price of \$0.20 during the three months ended January 31, 2023.

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.

### **Financial Condition / Capital Resources**

During the three months ended January 31, 2023, the Company recorded a net loss of \$637,135 and, as of January 31, 2023, the Company had an accumulated deficit of \$45,351,937 and working capital of \$2,124,643. 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. See also "COVID-19".

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

The company has no proposed transactions.

### **Critical Accounting Estimates**

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

A detailed summary of all the Company's critical accounting estimates is included in Note 3 to the October 31, 2022 audited annual consolidated financial statements.



## Changes in Accounting Policies

There is no change in accounting policy during the three months ended January 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, 2022 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 nine months ended January 31,2023 and 2022 the following compensation was incurred:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Mr. Eric Krafft, Interim CEO and director <sup>(1)</sup>	7,500	7,500
Mr. Lars-Eric Johansson, Chairman and director <sup>(1)</sup>	7,500	7,500
Mr. Daniel Major, director <sup>(1)</sup>	7,500	7,500
Mr. Sanjay Swarup, CFO <sup>(3)</sup>	9,446	7,998
Ms. Manuela Balaj-Coroiu, Corporate Secretary <sup>(4)</sup>	12,600	-
Mr. Filip Kozlowski, Former CEO and former director <sup>(1)</sup>	-	69,168
	<u>44,546</u>	<u>99,666</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 as Chief Executive Officer ("CEO") who 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. DeMare, the Company's ex CFO, ceased as Corporate Secretary on April 28, 2022.

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

(4) Ms. Manuela Balaj-Coroiu of Cohesion Consulting Group Inc has been appointed as a Company Secretary of the on April 28, 2022

(b) During the three months ended January 31,2023, the Company incurred \$14,506 (2022 - \$11,832) for accounting services of SKS Business Services.

(c) In addition, during the three months ending January 31, 2023 and 2022 the company incurred share-based compensation for key management personnel as follows:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Mr. Lars-Eric Johansson	-	222,100
Mr. Daniel Major	-	222,100
Mr. Eric Krafft	-	222,100
Mr. Filip Kozlowski	-	399,778
Ms. Manuela Balaj-Coroiu	27,723	-
	<u>27,723</u>	<u>1,066,078</u>

## **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares without par value. As of March 22, 2023, there were 165,523,533 issued and outstanding common shares, 36,079,286 warrants outstanding with exercise prices ranging from \$0.10 to \$0.20 per share and 7,450,000 share options outstanding with exercise prices ranging from \$0.155 to \$0.62 per share.